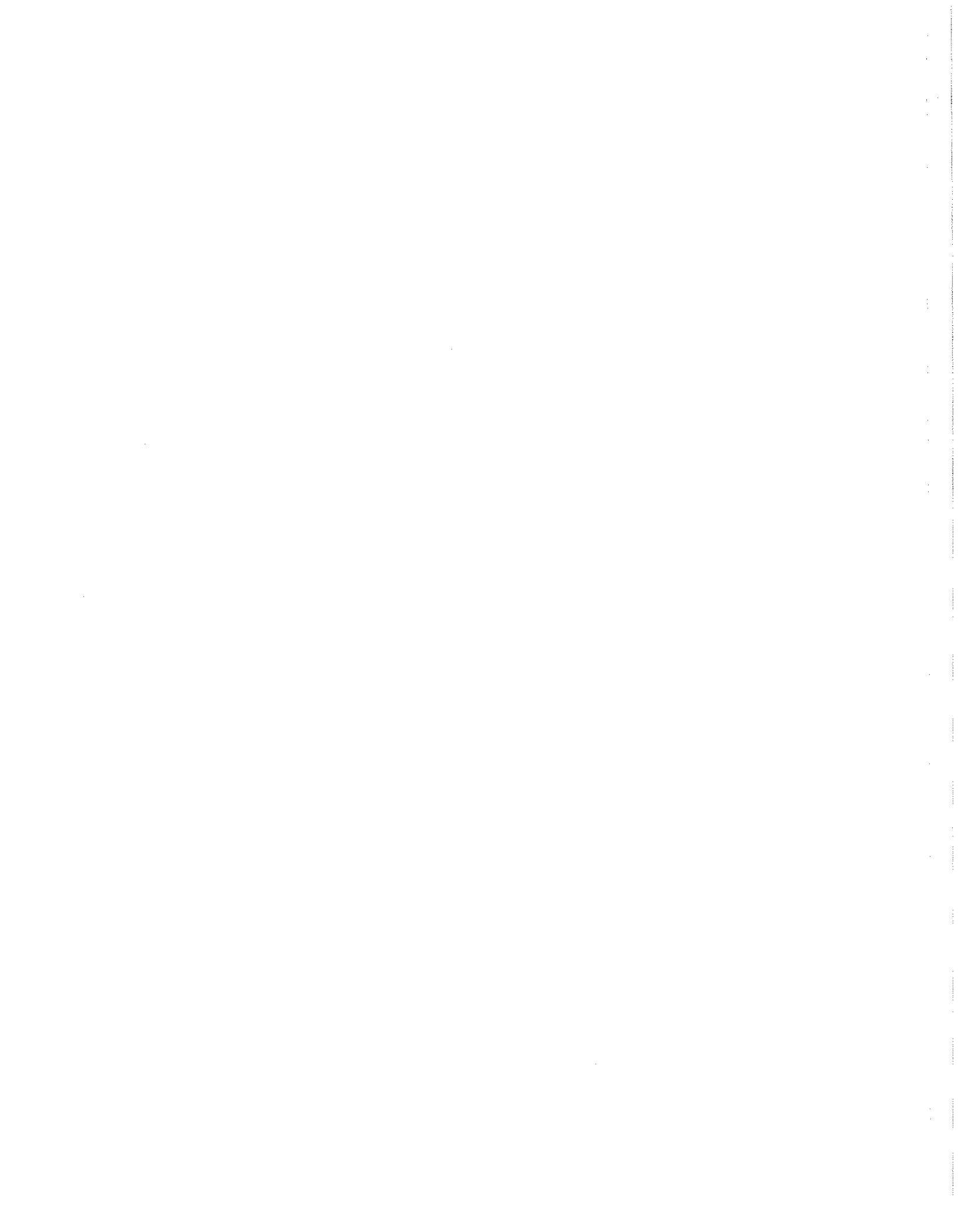


CENTERVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

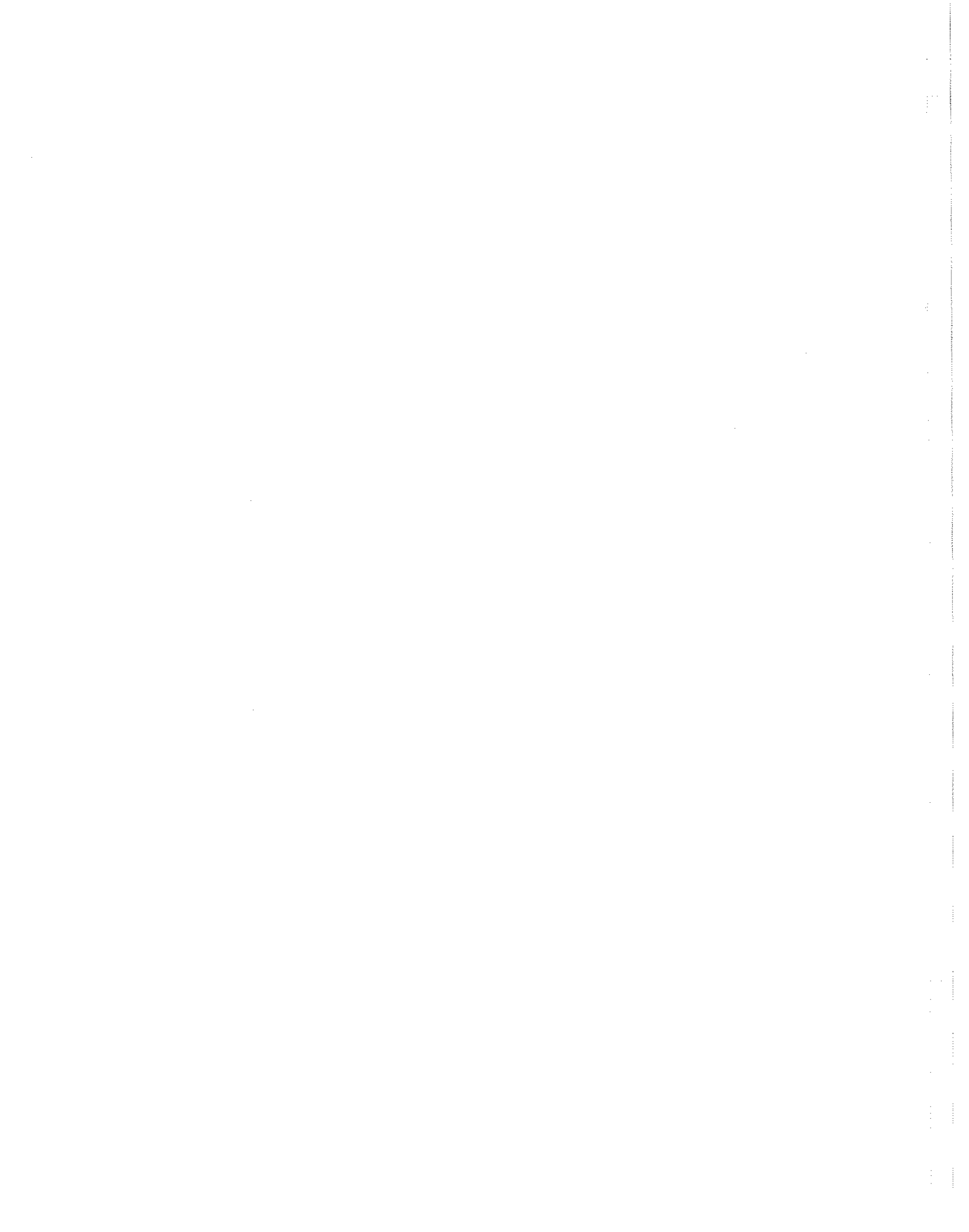
JUNE 30, 2006



CENTERVILLE COMMUNITY SCHOOL DISTRICT

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CENTERVILLE COMMUNITY SCHOOL DISTRICT

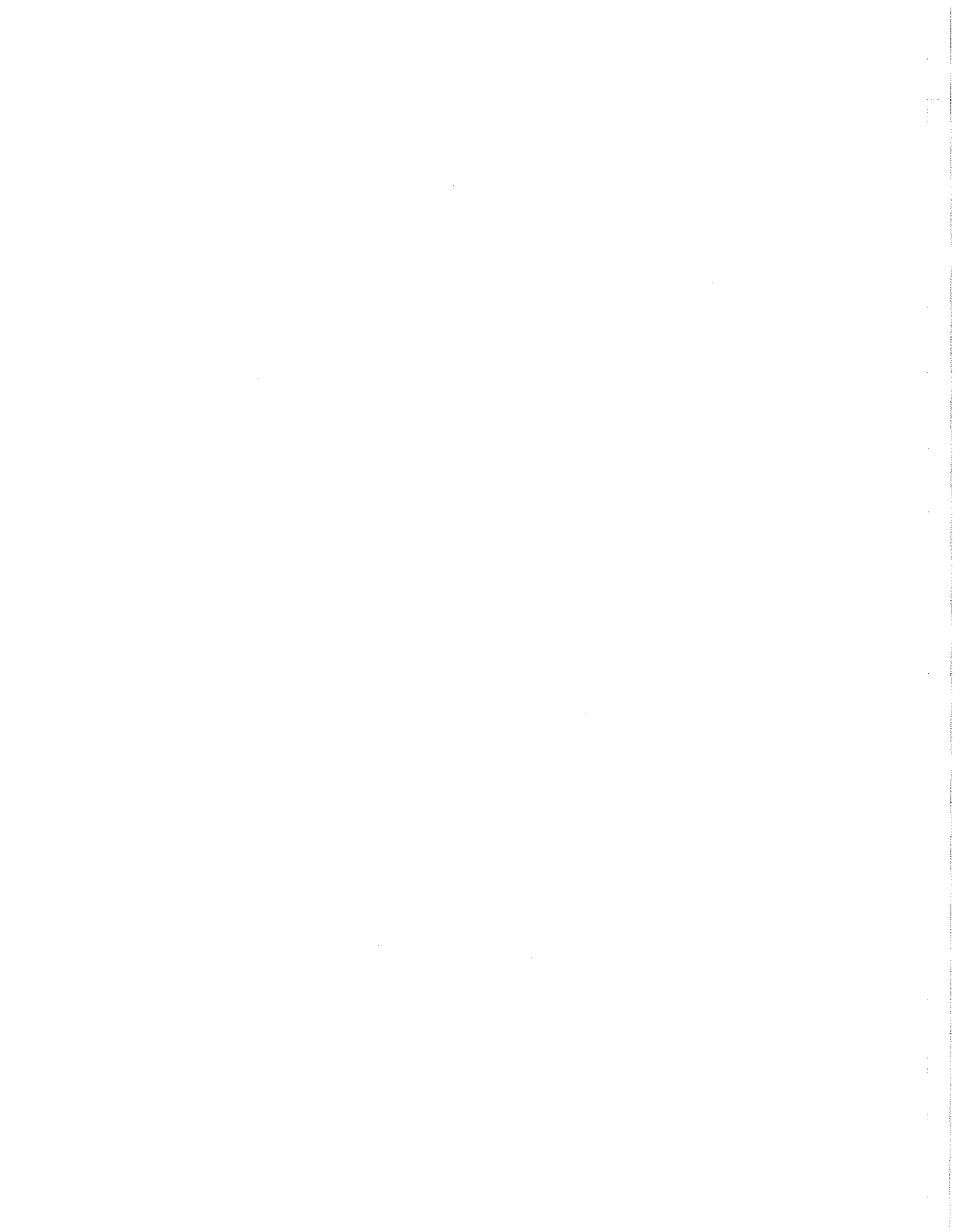
OFFICIALS

JUNE 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Kris Hoffman	President	2006
Richard Roos	Vice President	2005
Bill Matkovich	Board Member	2005
Ray Tresemer	Board Member	2005
Steve Hoch	Board Member	2006
Deborah Egeland	Board Member	2007
Shawna Stickler	Board Member	2007

Board of Education (After September 2005 Election)		
Kris Hoffman	President	2006
Steve Hoch	Vice President	2006
Deborah Egeland	Board Member	2007
Kent Cool	Board Member	2007
Jeri Pershy	Board member	2008
Bill Matkovich	Board Member	2008
Nick Hindley	Board Member	2008

School Officials		
Richard Turner	Superintendent	2006
Linda Henderson	District Secretary/Treasurer And Business Manager	Indefinite
Rick Engel	Attorney	Indefinite





ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Centerville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

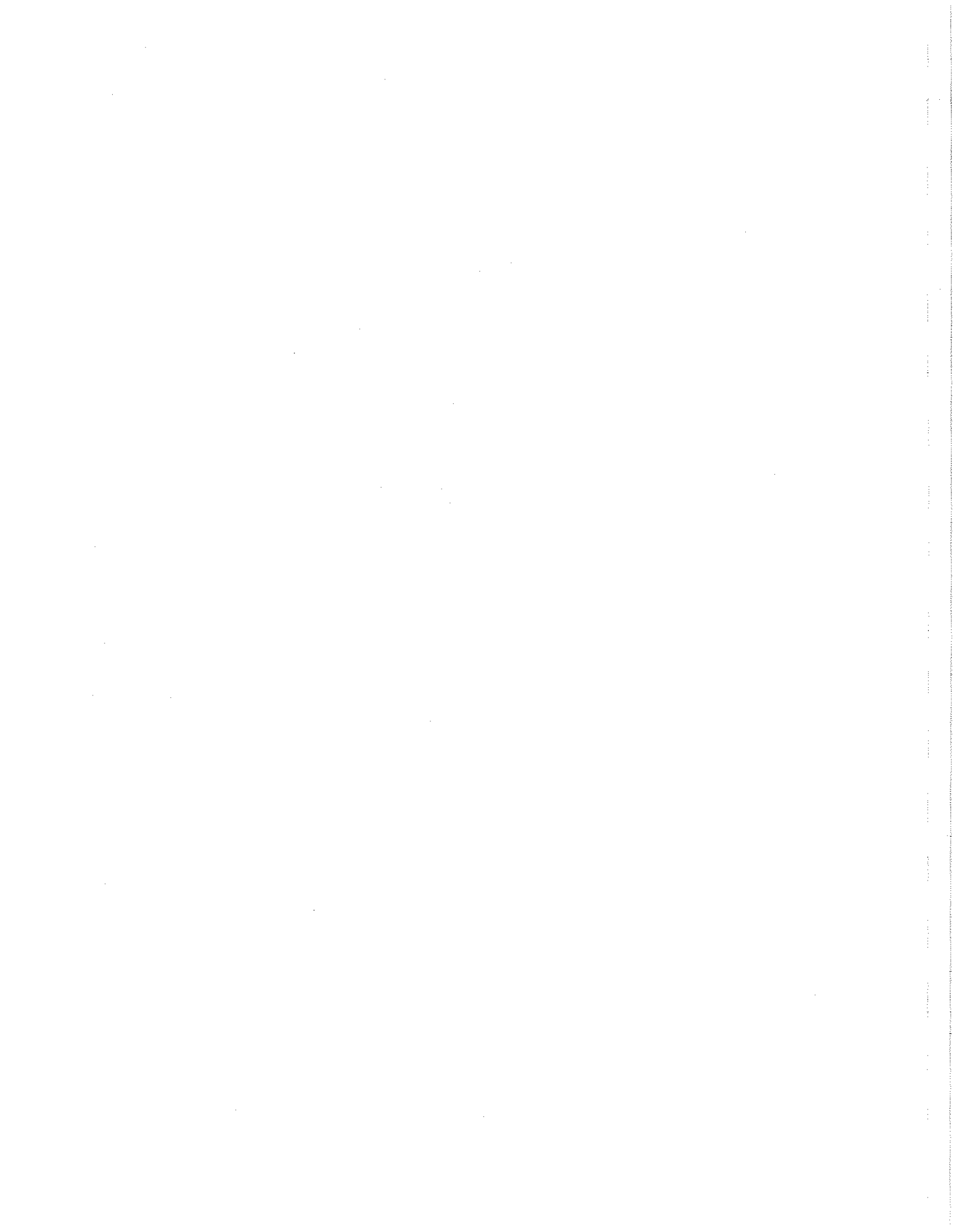
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2006 on our consideration of Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

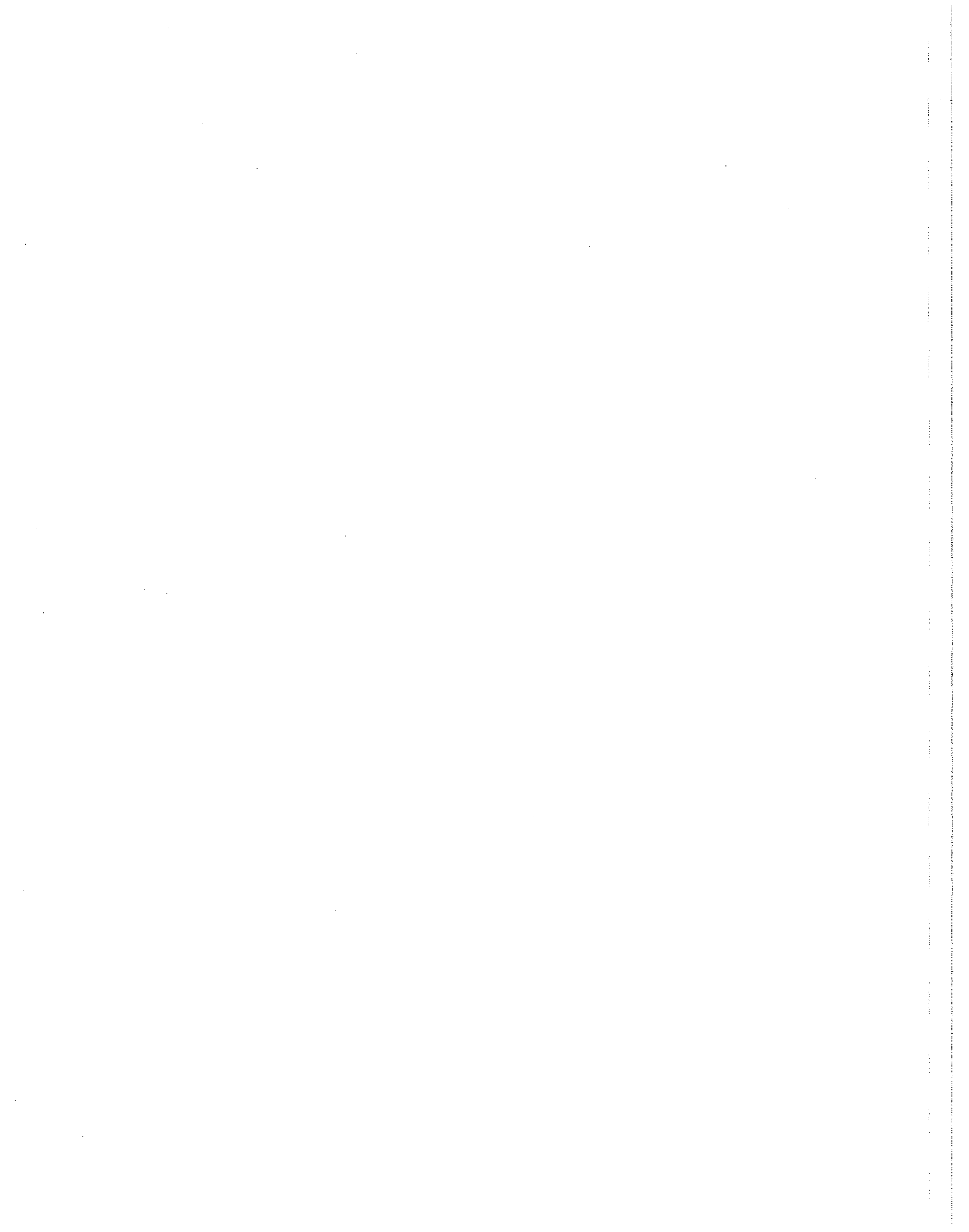
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerville Community School District's basic financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. Other supplementary information included in



Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

ANDERSON, LARKIN & CO P.C.

Ottumwa, Iowa
October 10, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,066,330 in fiscal 2005 to \$12,468,055 in fiscal 2006, while General Fund expenditures decreased from \$12,529,846 in fiscal 2005 to \$12,460,183 in fiscal 2006. The District's General Fund balance increased from a \$296,741 deficit in fiscal 2005 to a \$288,869 deficit in fiscal 2006, a 2.7% percent increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Centerville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Centerville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Centerville Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and are related to one another.

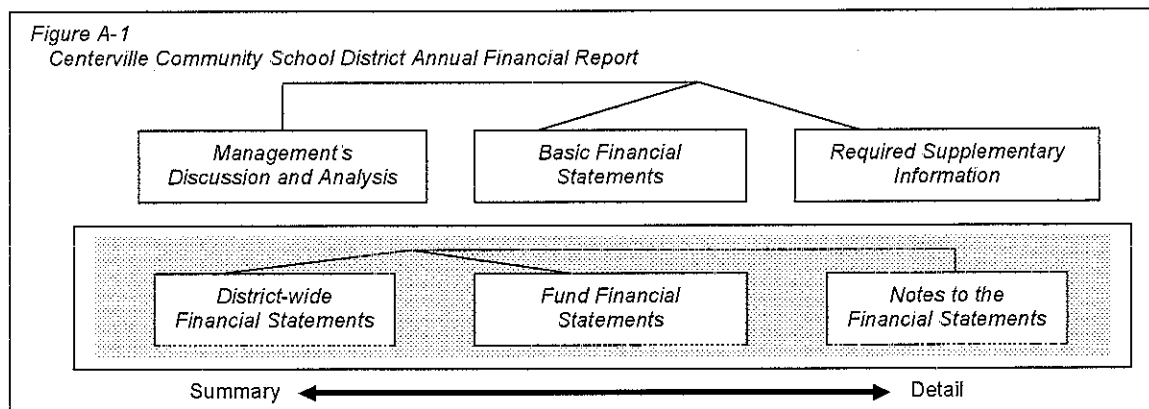


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

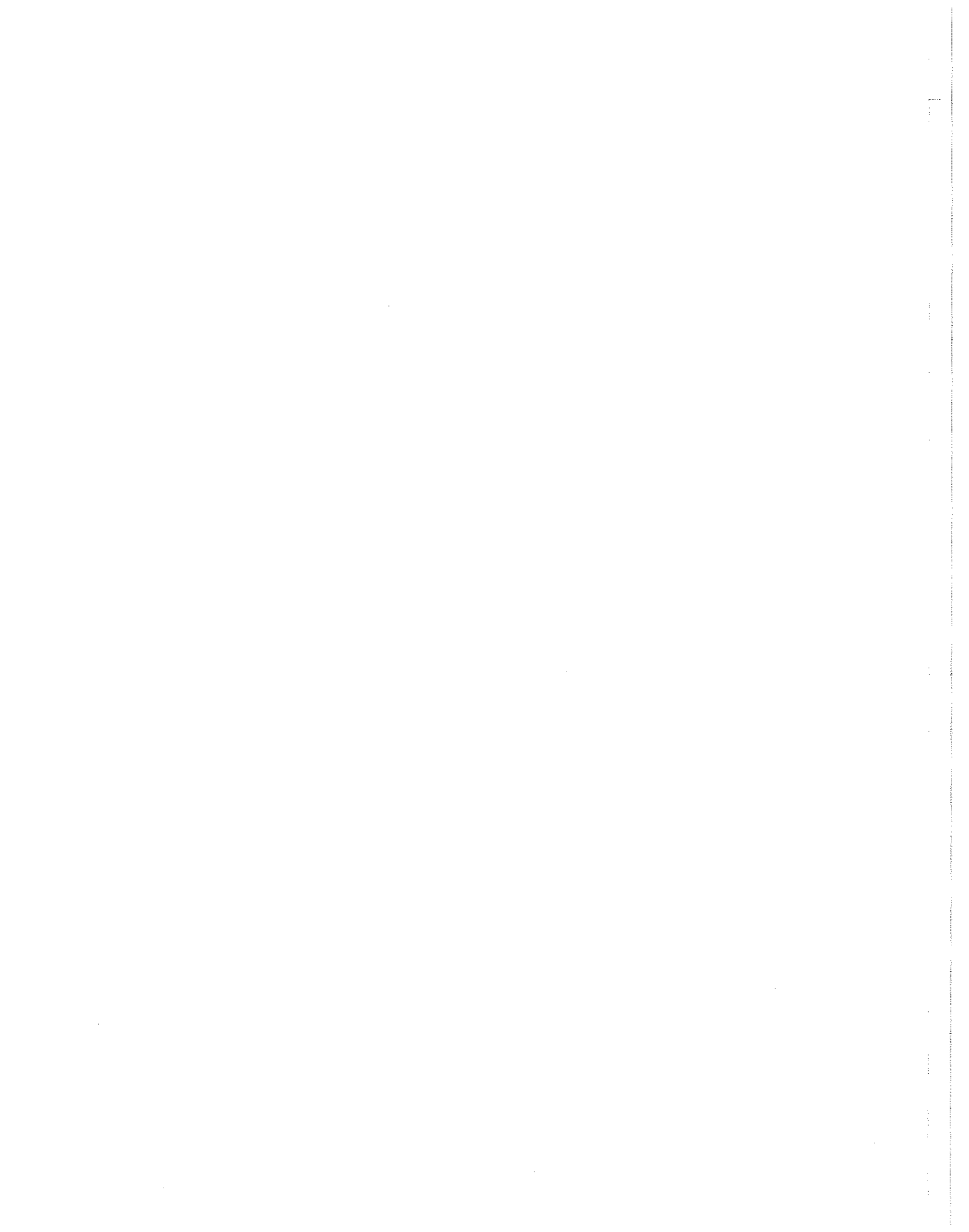
*Figure A-2
Major Features of the Government-wide and Fund Financial Statements*

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.
 - *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund.
 - *Agency Funds* – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$ 8,231,191	\$ 7,640,425	\$ 59,628	\$ 91,806	\$ 8,290,819	\$ 7,732,231	7 2%
Capital assets	<u>6,732,433</u>	<u>5,854,157</u>	<u>88,742</u>	<u>62,976</u>	<u>6,821,175</u>	<u>5,917,133</u>	15 3%
Total assets	<u>14,963,624</u>	<u>13,494,582</u>	<u>148,370</u>	<u>154,782</u>	<u>15,111,994</u>	<u>13,649,364</u>	10 7%
Long-term liabilities	5,011,848	5,160,716	-	-	5,011,848	5,160,716	-2 9%
Other liabilities	<u>7,342,953</u>	<u>6,744,008</u>	<u>11,471</u>	<u>13,691</u>	<u>7,354,424</u>	<u>6,757,699</u>	8 8%
Total liabilities	<u>12,354,801</u>	<u>11,904,724</u>	<u>11,471</u>	<u>13,691</u>	<u>12,366,272</u>	<u>11,918,415</u>	3 8%
Net assets							
Invested in capital assets, net of related debt	2,561,101	2,103,418	88,742	62,976	2,649,843	2,166,394	22 3%
Restricted	502,697	404,489	-	-	502,697	404,489	24 3%
Unrestricted	<u>(454,975)</u>	<u>(918,049)</u>	<u>48,157</u>	<u>78,115</u>	<u>(406,818)</u>	<u>(839,934)</u>	51 6%
Total net assets	\$ <u>2,608,823</u>	\$ <u>1,589,858</u>	\$ <u>136,899</u>	\$ <u>141,091</u>	\$ <u>2,745,722</u>	\$ <u>1,730,949</u>	58 6%

The District's combined net assets increased by approximately 58 6%, or \$1,014,773, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$98,208, or approximately 24 3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$433,116, or approximately 51 6%. This increase in unrestricted net assets was a result of the District reducing staff positions to operate within its revenue.

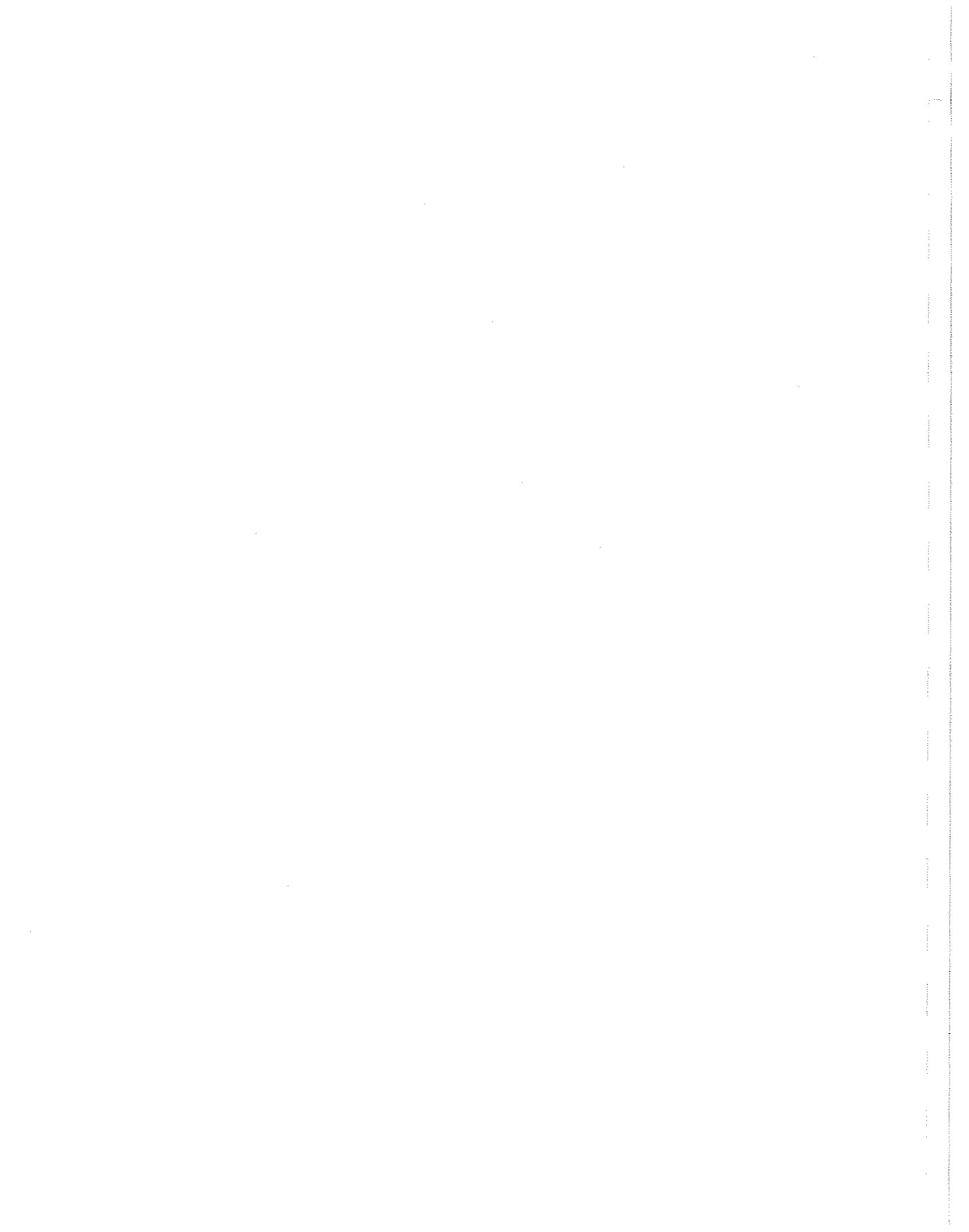


Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2006	2005	June 30, 2006	2005	June 30, 2006	2005	2005-2006
Revenues							
Program revenues:							
Charges for services and sales	\$ 872,030	\$ 1,112,536	\$ 247,048	\$ 240,809	\$ 1,119,078	\$ 1,353,345	-17.3%
Operating grants contributions and restricted interest	1,997,307	1,653,995	372,060	351,635	2,369,367	2,005,630	18.1%
Capital grants contributions and restricted interest	386,087	299,610	-	-	386,087	299,610	28.9%
General revenues:							
Property tax	3,532,666	3,448,678	-	-	3,532,666	3,448,678	2.4%
Income surtax	164,978	77,606	-	-	164,978	77,606	112.6%
Local option sales and services tax	1,092,645	684,075	-	-	1,092,645	684,075	59.7%
Unrestricted state grants	6,810,004	6,828,654	-	-	6,810,004	6,828,654	-3%
Other	68,294	81,874	2,092	915	70,386	82,789	-15.0%
Total revenues	<u>14,924,011</u>	<u>14,187,028</u>	<u>621,200</u>	<u>593,359</u>	<u>15,545,211</u>	<u>14,780,387</u>	5.2%
Program expenses:							
Governmental activities:							
Instruction	9,255,084	9,038,795	-	-	9,255,084	9,038,795	2.4%
Support services	3,728,598	3,847,791	-	-	3,728,598	3,847,791	-3.1%
Non-instructional programs	13,834	4,222	625,392	589,879	639,226	594,101	7.6%
Other expenses	907,530	832,060	-	-	907,530	832,060	9.1%
Total expenses	<u>13,905,046</u>	<u>13,722,868</u>	<u>625,392</u>	<u>589,879</u>	<u>14,530,438</u>	<u>14,312,747</u>	1.5%
Change in net assets	\$ <u>1,018,965</u>	\$ <u>464,160</u>	\$ <u>(4,192)</u>	\$ <u>3,480</u>	\$ <u>1,014,773</u>	\$ <u>467,640</u>	117.0%

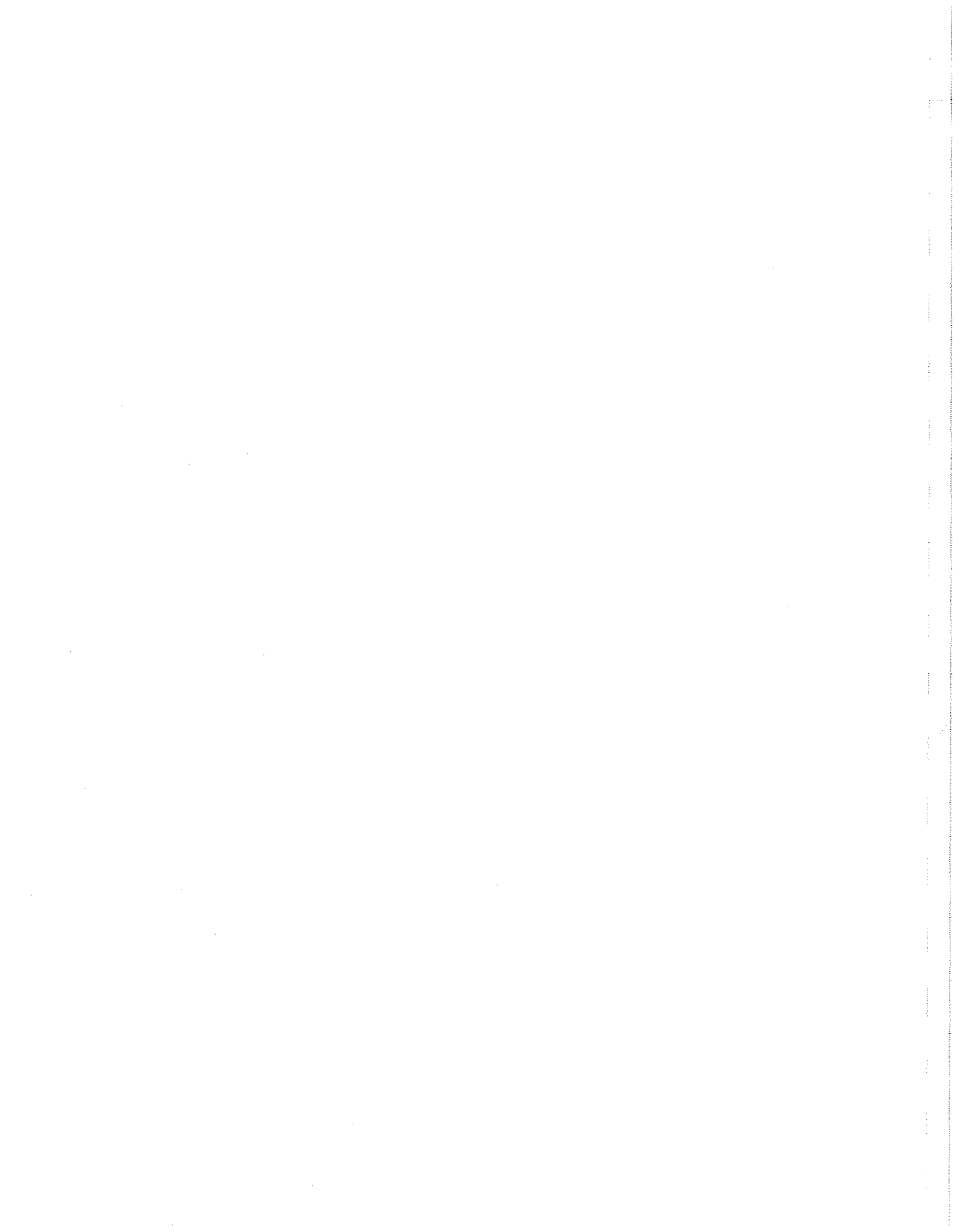
Property tax and unrestricted state grants account for 69.7% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.9% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$14,924,011 and expenses were \$13,905,046. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	June 30, 2006	2005	Change 2005-2006	June 30, 2006	2005	Change 2005-2006
Instruction	\$ 9,255,084	\$ 9,038,795	2.4%	\$ 6,869,725	\$ 6,752,731	1.7%
Support services	3,728,598	3,847,791	-3.1%	3,709,775	3,835,814	-3.3%
Non-instructional programs	13,834	4,222	227.7%	13,834	188	7,258.5%
Other expenses	907,530	832,060	9.1%	56,288	67,994	-17.2%
Total expenses	\$ <u>13,905,046</u>	\$ <u>13,722,868</u>	1.3%	\$ <u>10,649,622</u>	\$ <u>10,656,727</u>	-1%



- The cost financed by users of the District's programs was \$872,030
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,383,394
- The net cost of governmental activities was financed with \$3,532,666 in property tax, \$164,978 in income surtax, \$1,092,645 in local option sales and services tax, \$6,810,004 in unrestricted state grants and \$68,294 in interest income.

Business Type Activities

Revenues for business type activities were \$621,200 representing a 4.7 percent increase over the prior year while expenses totaled \$625,392, a 6.0 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Centerville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$785,130, 13.1 percent below last year's ending fund balances of \$904,006.

Governmental Fund Highlights

- Revenue from School Infrastructure Local Option Tax (SILO) increased 12.2 percent from \$684,075 in fiscal year 2005 to \$767,307 in fiscal year 2006. This increase is due to SILO tax being collected for a full year during fiscal year 2006 in comparison to a partial year in fiscal year 2005.
- During fiscal year 2005 the District received a significant, one time, increase in grant monies received for capital projects.
- Facilities acquisitions expenditures decreased 47.6 percent from \$1,975,031 in fiscal year 2005 to \$1,034,504 in fiscal year 2006. This decrease is due to significant capital projects being substantially completed during fiscal year 2005 and placed in service early in fiscal year 2006.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$141,091 at June 30, 2005 to \$136,899 at June 30, 2006, representing a decrease of approximately 3.0 percent.

BUDGETARY HIGHLIGHTS

Over the course of the year, Centerville Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the non-instructional and other expenditures.

The District's receipts were \$373,785 less than budgeted receipts, a variance of 2.3 percent. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$2,355,661 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

For the year ended June 30, 2006, the District received an allowance for allowable growth for costs of converting to GAAP basis budgeting. After consideration of this allowance, the District did not exceed budgeted expenditures during the year ended June 30, 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested approximately \$6.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 15.3 percent from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$442,369.

The original cost of the District's capital assets was \$15,175,518. Governmental funds account for \$14,908,890, with the remainder of \$266,628 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress and buildings and improvements categories. The District's construction in progress totaled \$245,603 at June 30, 2006, compared to \$1,975,031 reported at June 30, 2005. The District's buildings and improvements totaled \$5,670,373 at June 30, 2006, compared to \$3,106,898 reported at June 30, 2005. This significant change resulted from buildings placed in service during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 204,400	\$ 159,400	\$ -	\$ -	\$ 204,400	\$ 159,400	28.3%
Construction in progress	245,603	1,975,031	-	-	245,603	1,975,031	-87.6%
Buildings and improvements	5,670,373	3,106,898	-	-	5,670,373	3,106,898	82.5%
Land improvements	277,354	304,510	-	-	277,354	304,510	-8.9%
Machinery and equipment	<u>334,703</u>	<u>308,318</u>	<u>88,742</u>	<u>62,976</u>	<u>423,445</u>	<u>371,294</u>	14.0%
Totals	\$ <u>6,732,433</u>	\$ <u>5,854,157</u>	\$ <u>88,742</u>	\$ <u>62,976</u>	\$ <u>6,821,175</u>	\$ <u>5,917,133</u>	15.3%

Long-Term Debt

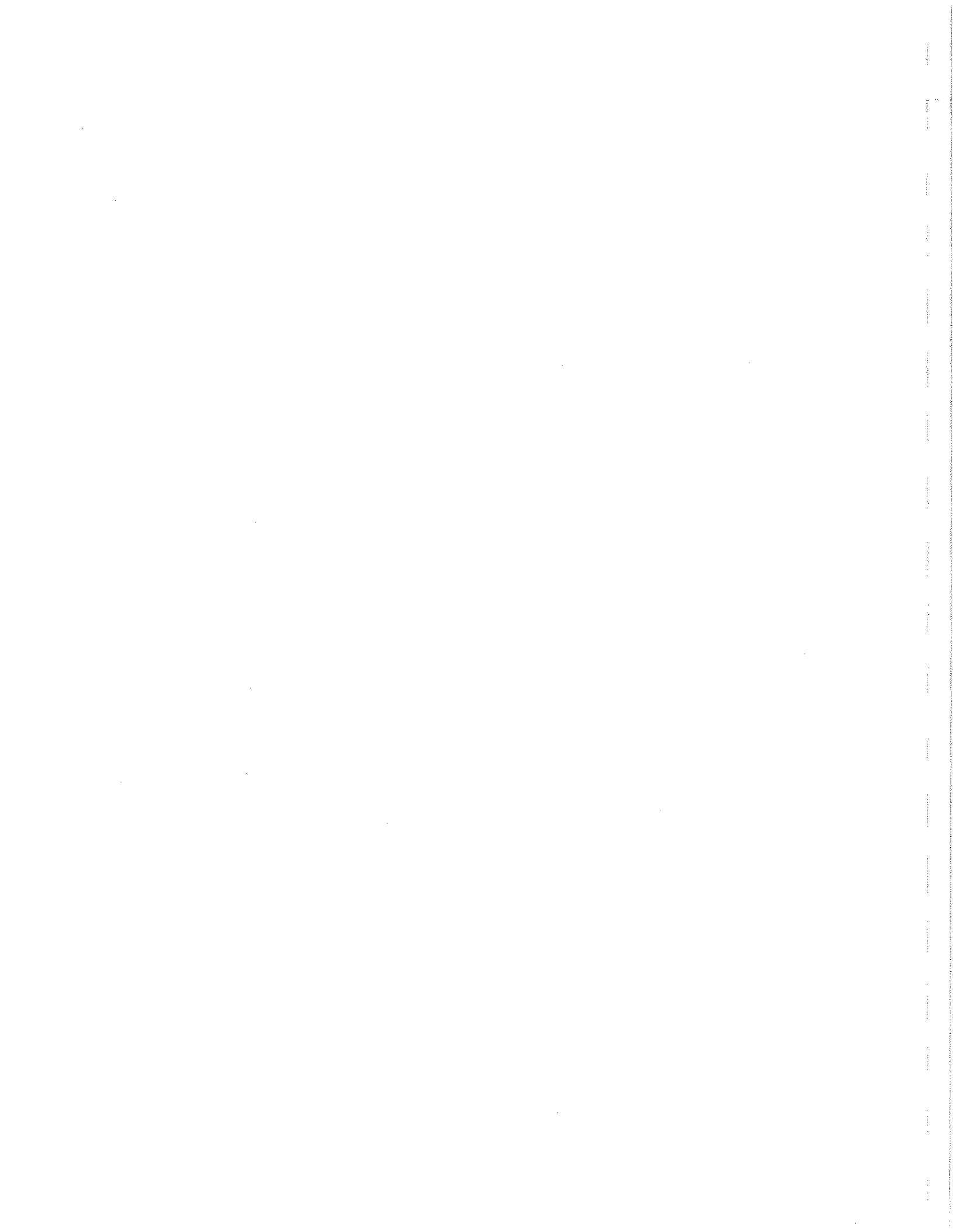
At June 30, 2006, the District had \$5,011,848, in general obligation, revenue and long-term debt outstanding. This represents a decrease of approximately 2.9 percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	June 30,		
	2006	2005	2005-2006
Contract payable	\$ 40,000	\$ -	-%
General obligation bonds	2,415,000	2,590,000	-6.8%
Revenue bonds	1,756,332	2,000,000	-12.2%
Early retirement	721,955	493,086	46.4%
Compensated absences	<u>78,561</u>	<u>77,630</u>	1.2%
Total	\$ <u>5,011,848</u>	\$ <u>5,160,716</u>	-2.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

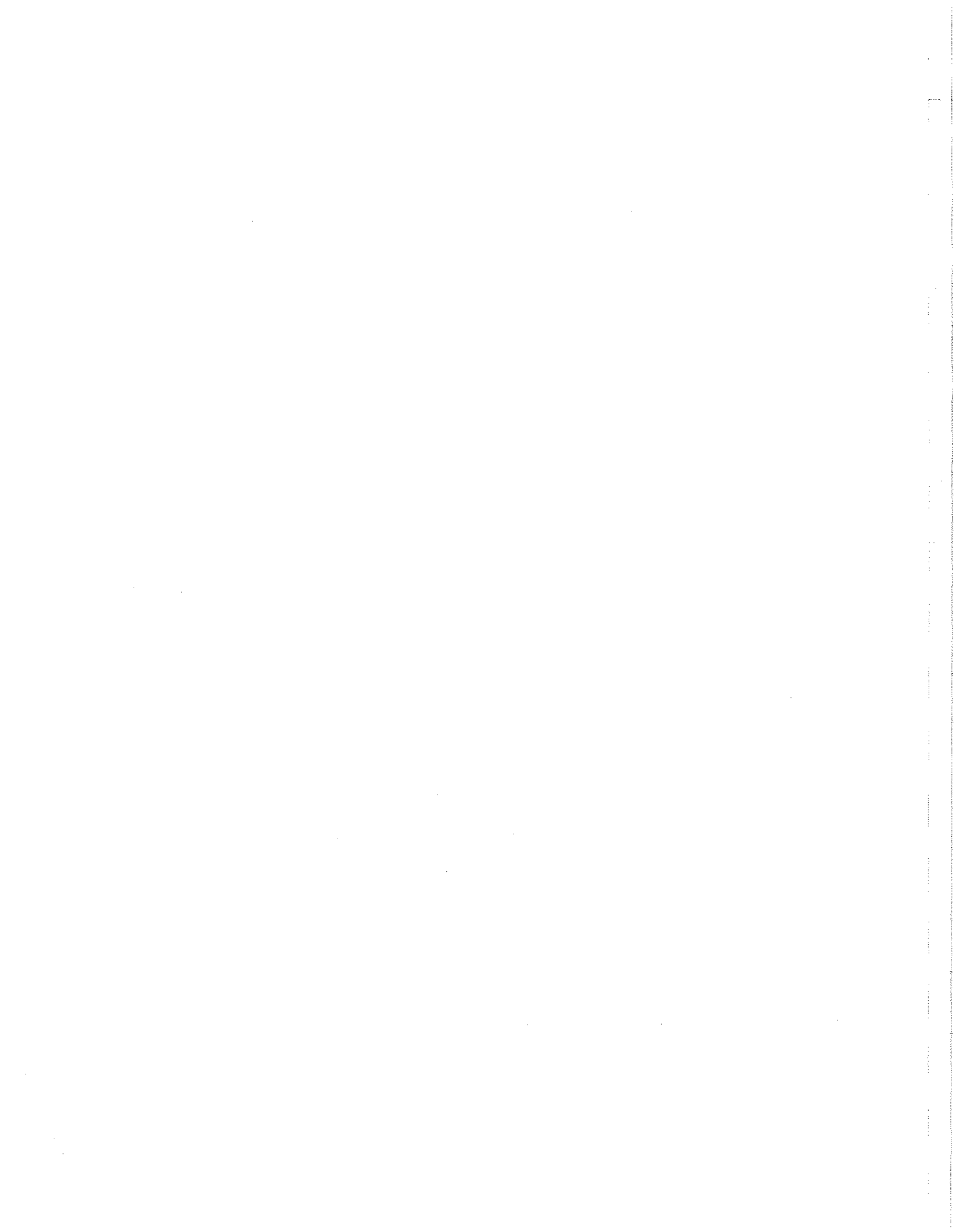


- The District has experienced declining enrollment in the recent past, and District expects the decline to accelerate due to recent plant closings in the community.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in the fiscal year 2004. The budget guarantee is a relatively minor part of the District's budget and is expected to have little effect in fiscal year 2007.
- Low allowable growth over the past several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Henderson, District Secretary/Treasurer and Business Manager, Centerville Community School District, PO Box 370, Centerville, Iowa 52544.

BASIC FINANCIAL STATEMENTS



CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments:			
ISCAP	\$ 2,610,221	\$ -	\$ 2,610,221
Other	938,225	52,906	991,131
Receivables:			
Property tax:			
Delinquent	79,448	-	79,448
Succeeding year	3,945,615	-	3,945,615
Income surtax	154,732	-	154,732
Accounts	4,327	-	4,327
Accrued ISCAP interest	25,092	-	25,092
Due from other governments	473,531	-	473,531
Inventories	-	6,722	6,722
Capital assets, net of accumulated depreciation	6,732,433	88,742	6,821,175
TOTAL ASSETS	14,963,624	148,370	15,111,994
<u>LIABILITIES</u>			
Accounts payable	197,433	5,850	203,283
Excess warrants issued over bank balance	329,790	-	329,790
Interest payable	51,624	-	51,624
Salaries and benefits payable	149,975	5,621	155,596
ISCAP warrants payable	2,608,000	-	2,608,000
ISCAP accrued interest payable	23,563	-	23,563
ISCAP unamortized premiums payable	19,192	-	19,192
Deferred revenue:			
Succeeding year property tax	3,945,615	-	3,945,615
Other	17,761	-	17,761
Long-term liabilities:			
Portion due within one year:			
Contract payable	10,000	-	10,000
General obligation bonds payable	185,000	-	185,000
Revenue bonds payable	258,268	-	258,268
Early retirement	160,988	-	160,988
Compensated absences	78,561	-	78,561
Portion due after one year:			
Contract payable	30,000	-	30,000
General obligation bonds payable	2,230,000	-	2,230,000
Revenue bonds payable	1,498,064	-	1,498,064
Early retirement	560,967	-	560,967
TOTAL LIABILITIES	12,354,801	11,471	12,366,272
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	2,561,101	88,742	2,649,843
Restricted for:			
Salary improvement program	3,074	-	3,074
Physical plant and equipment levy	151,255	-	151,255
Other special revenue purposes	348,368	-	348,368
Unrestricted	(454,975)	48,157	(406,818)
TOTAL NET ASSETS	\$ 2,608,823	\$ 136,899	\$ 2,745,722

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for	Operating Grants,	Capital Grants
	Expenses	Service	Contributions	Contributions
			and Restricted	and Restricted
			Interest	Interest
<u>FUNCTIONS/PROGRAMS:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,811,748	\$ 190,206	\$ 1,346,819	\$ -
Special instruction	2,504,271	119,174	90,593	-
Other instruction	939,065	562,057	76,510	-
	<u>9,255,084</u>	<u>871,437</u>	<u>1,513,922</u>	<u>-</u>
Support services:				
Student services	384,600	-	-	-
Instructional staff services	437,187	-	-	-
Administration services	1,270,131	-	-	-
Operation and maintenance of plant services	1,088,051	-	-	-
Transportation services	548,629	593	18,230	-
	<u>3,728,598</u>	<u>593</u>	<u>18,230</u>	<u>-</u>
Non-instructional programs	<u>13,834</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisitions	-	-	-	386,087
Long-term debt interest	221,994	-	-	-
AEA flowthrough	465,155	-	465,155	-
Depreciation (unallocated)*	220,381	-	-	-
	<u>907,530</u>	<u>-</u>	<u>465,155</u>	<u>386,087</u>
Total governmental activities	13,905,046	872,030	1,997,307	386,087
Business type activities:				
Non-instructional programs:				
Nutrition services	<u>625,392</u>	<u>247,048</u>	<u>372,060</u>	<u>-</u>
Total	\$ 14,530,438	\$ 1,119,078	\$ 2,369,367	\$ 386,087

GENERAL REVENUES:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Local option sales and service tax
 Unrestricted state grants
 Unrestricted investment earnings
 Total general revenues

Changes in net assets

Net assets beginning of year

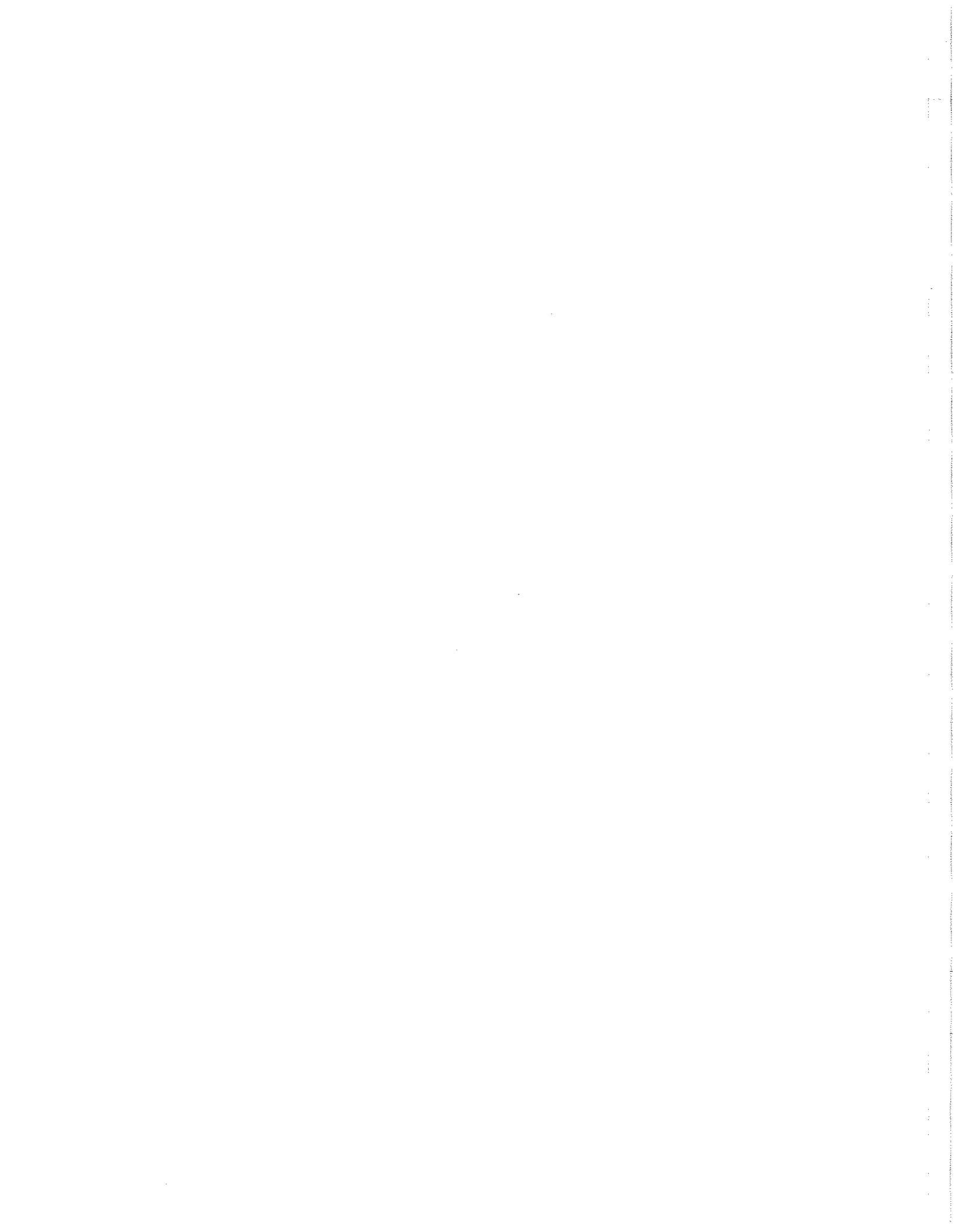
Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	BusinessType Activities	Total
\$ (4,274,723)	\$ -	\$ (4,274,723)
(2,294,504)	-	(2,294,504)
<u>(300,498)</u>	<u>-</u>	<u>(300,498)</u>
<u>(6,869,725)</u>	<u>-</u>	<u>(6,869,725)</u>
(384,600)	-	(384,600)
(437,187)	-	(437,187)
(1,270,131)	-	(1,270,131)
(1,088,051)	-	(1,088,051)
<u>(529,806)</u>	<u>-</u>	<u>(529,806)</u>
<u>(3,709,775)</u>	<u>-</u>	<u>(3,709,775)</u>
<u>(13,834)</u>	<u>-</u>	<u>(13,834)</u>
386,087	-	386,087
(221,994)	-	(221,994)
-	-	-
<u>(220,381)</u>	<u>-</u>	<u>(220,381)</u>
<u>(56,288)</u>	<u>-</u>	<u>(56,288)</u>
(10,649,622)	-	(10,649,622)
-	(6,284)	(6,284)
<u>(10,649,622)</u>	<u>(6,284)</u>	<u>(10,655,906)</u>
3,209,663	-	3,209,663
288,324	-	288,324
34,679	-	34,679
164,978	-	164,978
1,092,645	-	1,092,645
6,810,004	-	6,810,004
68,294	2,092	70,386
<u>11,668,587</u>	<u>2,092</u>	<u>11,670,679</u>
1,018,965	(4,192)	1,014,773
<u>1,589,858</u>	<u>141,091</u>	<u>1,730,949</u>
\$ <u>2,608,823</u>	\$ <u>136,899</u>	\$ <u>2,745,722</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and pooled investments:				
ISCAP	\$ 2,610,221	\$ -	\$ -	\$ 2,610,221
Other	2,195	211,278	724,752	938,225
Receivables:				
Property tax:				
Delinquent	64,955	-	14,493	79,448
Succeeding year	3,117,083	-	828,532	3,945,615
Income surtax	77,366	-	77,366	154,732
Accounts	148	-	4,179	4,327
Accrued ISCAP interest	25,092	-	-	25,092
Due from other governments	287,459	100,518	85,554	473,531
 TOTAL ASSETS	 \$ 6,184,519	 \$ 311,796	 \$ 1,734,876	 \$ 8,231,191
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 136,987	\$ 7,642	\$ 52,804	\$ 197,433
Excess warrants issued over bank balance	323,461	-	6,329	329,790
Salaries and benefits payable	149,975	-	-	149,975
ISCAP warrants payable	2,608,000	-	-	2,608,000
ISCAP accrued interest payable	23,563	-	-	23,563
ISCAP unamortized premiums payable	19,192	-	-	19,192
Deferred revenue:				
Succeeding year property tax	3,117,083	-	828,532	3,945,615
Income surtax	77,366	-	77,366	154,732
Other	17,761	-	-	17,761
Total liabilities	6,473,388	7,642	965,031	7,446,061
Fund balances:				
Reserved for:				
Debt service	-	-	270,222	270,222
Salary improvement program	3,074	-	-	3,074
Unreserved:				
Undesignated	(291,943)	304,154	499,623	511,834
Total fund balances	(288,869)	304,154	769,845	785,130
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 6,184,519	 \$ 311,796	 \$ 1,734,876	 \$ 8,231,191

CENTERVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

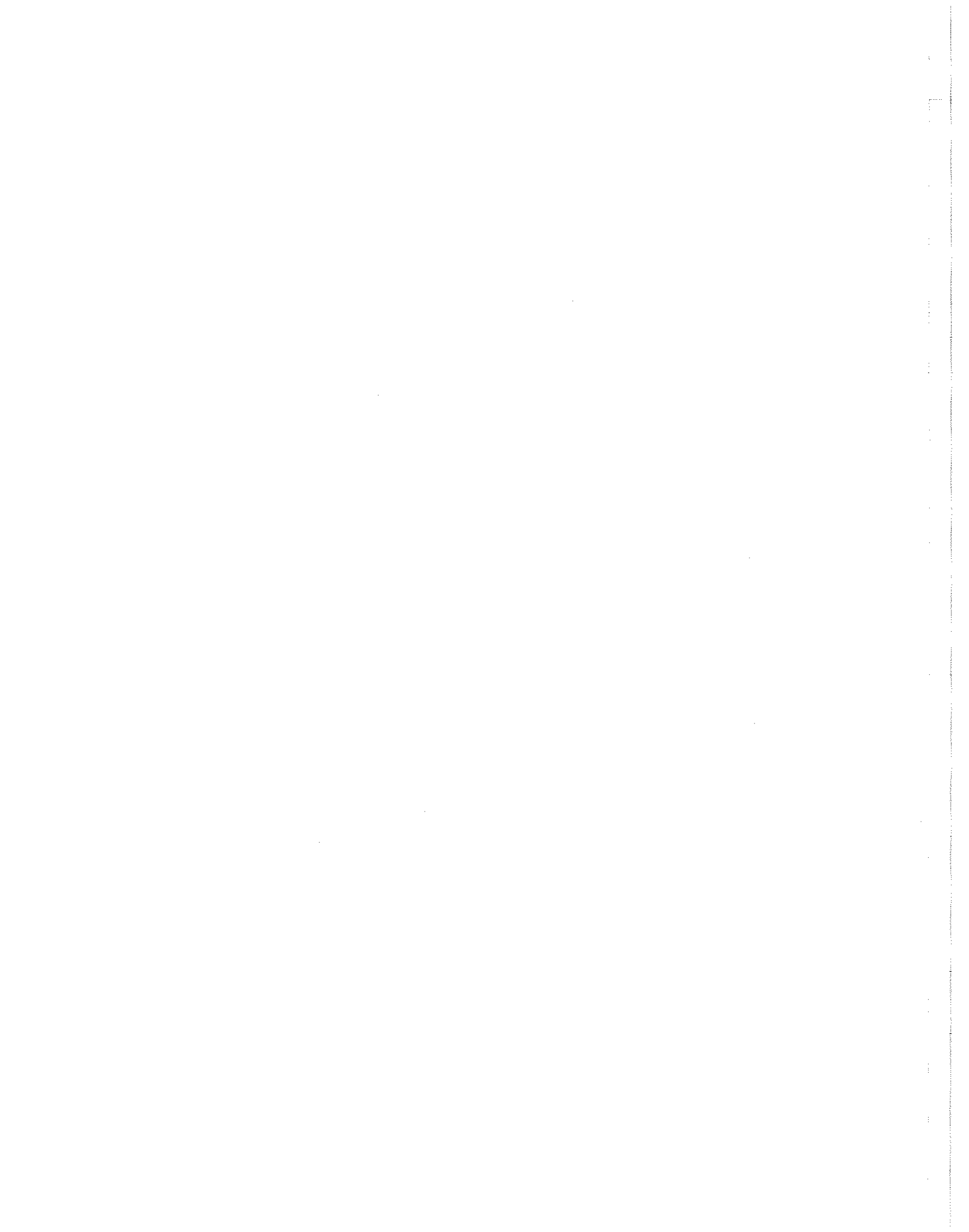
<u>TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS</u>	\$ 785,130
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,732,433
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(51,624)
Accounts receivable income surtax, are not available to finance expenditures of the current fiscal period and, therefore, are not reported in the funds	154,732
Long-term liabilities, including land contracts payable, bonds payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported in the funds	<u>(5,011,848)</u>
<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES:</u>	\$ <u>2,608,823</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 3,154,413	\$ 767,307	\$ 786,167	\$ 4,707,887
Tuition	431,633	-	-	431,633
Other	229,119	118,000	392,445	739,564
State sources	7,905,922	23,085	775	7,929,782
Federal sources	746,968	-	285,777	1,032,745
Total revenues	<u>12,468,055</u>	<u>908,392</u>	<u>1,465,164</u>	<u>14,841,611</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,379,848	-	109,802	5,489,650
Special instruction	2,473,743	-	-	2,473,743
Other instruction	575,186	-	315,696	890,882
	<u>8,428,777</u>	<u>-</u>	<u>425,498</u>	<u>8,854,275</u>
Support services:				
Student services	379,001	-	-	379,001
Instructional staff services	419,460	-	-	419,460
Administration services	1,177,415	-	106,063	1,283,478
Operation and maintenance of plant services	1,062,640	-	254,133	1,316,773
Transportation services	527,735	-	18,516	546,251
	<u>3,566,251</u>	<u>-</u>	<u>378,712</u>	<u>3,944,963</u>
Non-instructional:				
Food service operations	-	-	-	-
Operation of non-instructional programs	-	-	13,834	13,834
Community service and education operations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>13,834</u>	<u>13,834</u>
Other expenditures:				
Facilities acquisitions	-	1,034,504	-	1,034,504
Long-term debt:				
Principal	-	-	418,668	418,668
Interest and fiscal charges	-	-	229,088	229,088
AEA flowthrough	465,155	-	-	465,155
	<u>465,155</u>	<u>1,034,504</u>	<u>647,756</u>	<u>2,147,415</u>
Total expenditures	<u>12,460,183</u>	<u>1,034,504</u>	<u>1,465,800</u>	<u>14,960,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,872</u>	<u>(126,112)</u>	<u>(636)</u>	<u>(118,876)</u>
Other financing sources (uses):				
Transfers in	-	137,272	357,938	495,210
Transfers out	-	(344,315)	(150,895)	(495,210)
Total other financing sources (uses)	<u>-</u>	<u>(207,043)</u>	<u>207,043</u>	<u>-</u>
Net change in fund balances	7,872	(333,155)	206,407	(118,876)
Fund balances beginning of year	<u>(296,741)</u>	<u>637,309</u>	<u>563,438</u>	<u>904,006</u>
Fund balances end of year	\$ <u>(288,869)</u>	\$ <u>304,154</u>	\$ <u>769,845</u>	\$ <u>785,130</u>

See Notes to Financial Statements



CENTERVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (118,876)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 1,307,069	
Land purchased on contract	(40,000)	
Depreciation expense	<u>(428,793)</u>	838,276

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	418,668
--------	---------

Payment of assessments payable is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets. Current year repayments are as follows:

ISEBA assessment payable	21,203
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Income surtax received during the current year were available to finance expenditures of the current period in the governmental funds, however, these funds were attributable to a prior period in the Statement of Activities

82,400

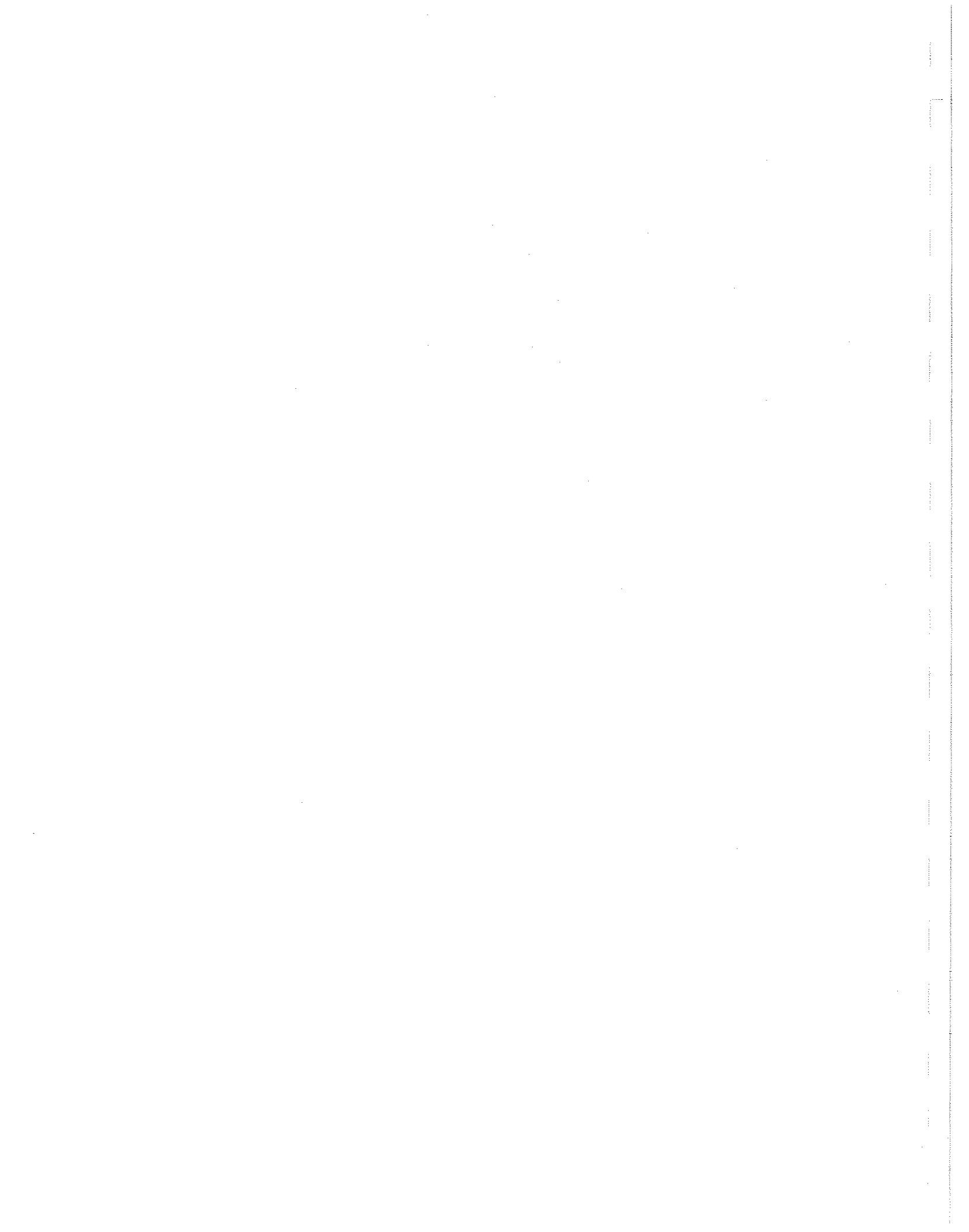
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due

7,094

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows

Early retirement	(228,869)	
Compensated absences	<u>(931)</u>	<u>(229,800)</u>

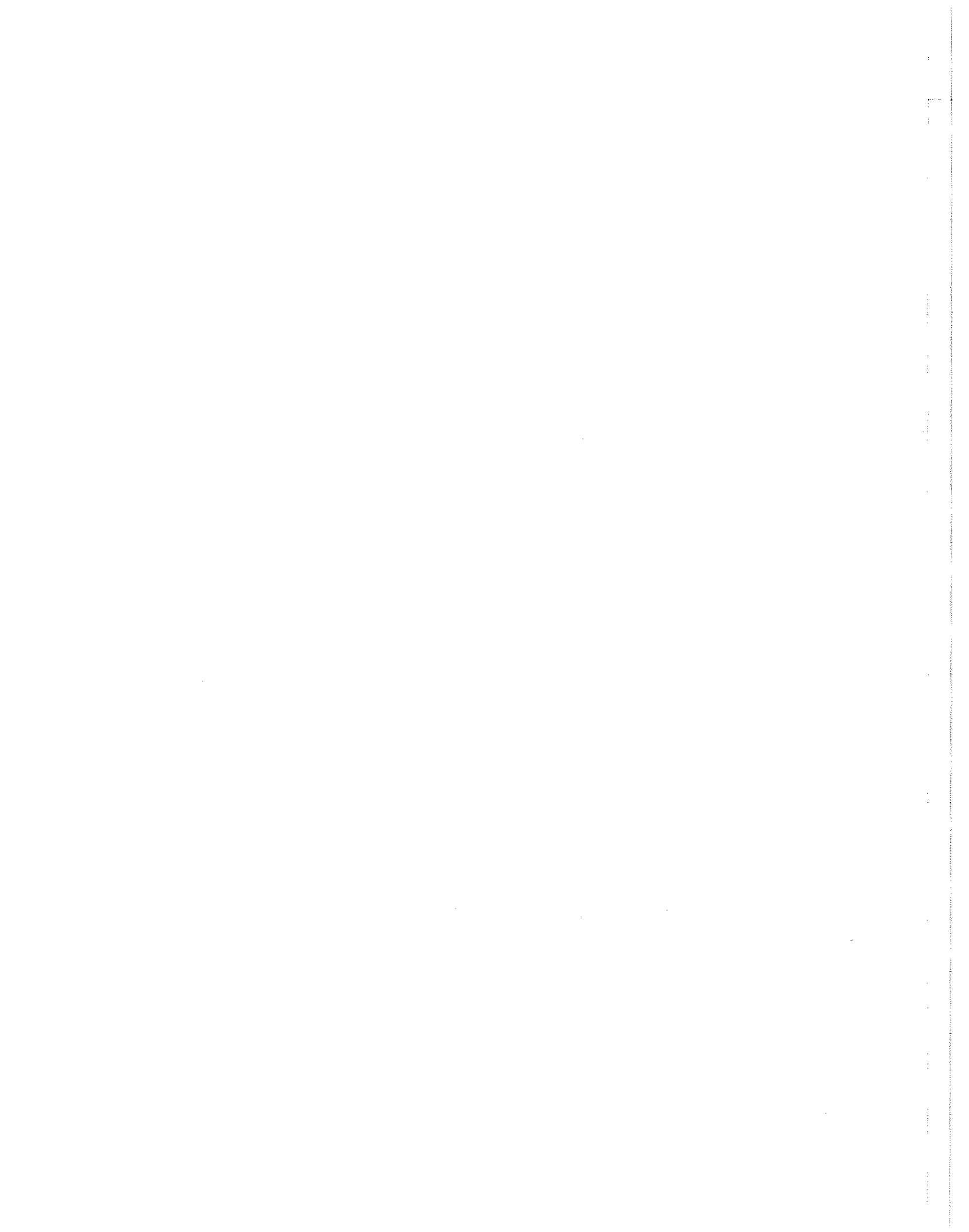
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,018,965



CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 52,906
Inventories	6,722
Capital assets, net of accumulated depreciation	<u>88,742</u>
Total assets	<u>148,370</u>
<u>LIABILITIES:</u>	
Accounts payable	5,850
Salaries and benefits payable	<u>5,621</u>
Total liabilities	<u>11,471</u>
<u>NET ASSETS:</u>	
Investment in capital assets, net of related debt	88,742
Unrestricted	<u>48,157</u>
Total net assets	<u>\$ 136,899</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

School
Nutrition

Operating revenues:

Local sources:

Charges for service \$ 247,048

Operating expenses:

Non-instructional programs:

Food service operations:

Salaries 218,017

Benefits 66,830

Purchased services and repairs and maintenance 23,124

Supplies 303,789

Depreciation 13,576

Other 56

Total operating expenses 625,392

Operating loss (378,344)

Non-operating revenues:

State sources 8,118

Federal sources 363,942

Interest income 2,092

Total non-operating revenues 374,152

NET LOSS (4,192)

Net assets beginning of year 141,091

Net assets end of year \$ 136,899

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received from sale of lunches and breakfasts	\$ 238,890
Cash received from miscellaneous operating activities	1,965
Cash payments to employees for services	(285,615)
Cash payments to suppliers for goods or services	<u>(297,255)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(342,015)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>	
State grants received	8,118
Federal grants received	<u>341,718</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>349,836</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition of capital assets	<u>(39,342)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on investments	<u>2,092</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,429)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>82,335</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>52,906</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>	
Operating loss	\$ (378,344)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,224
Depreciation	13,576
Decrease in inventories	2,749
Increase in accounts payable	4,741
Decrease in salaries and benefits payable	(768)
Decrease in deferred revenue	<u>(6,193)</u>
Net cash used in operating activities	\$ <u>(342,015)</u>
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>	
During the year ended June 30, 2006, the District received Federal commodities valued at \$24,305, \$2,081 of which are included in inventory at June 30, 2006.	

CENTERVILLE COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETSFIDUCIARY FUNDJUNE 30, 2006Private Purpose
Trust
ScholarshipASSETS:

Cash and pooled investments

\$ 259,209

LIABILITIES:

None

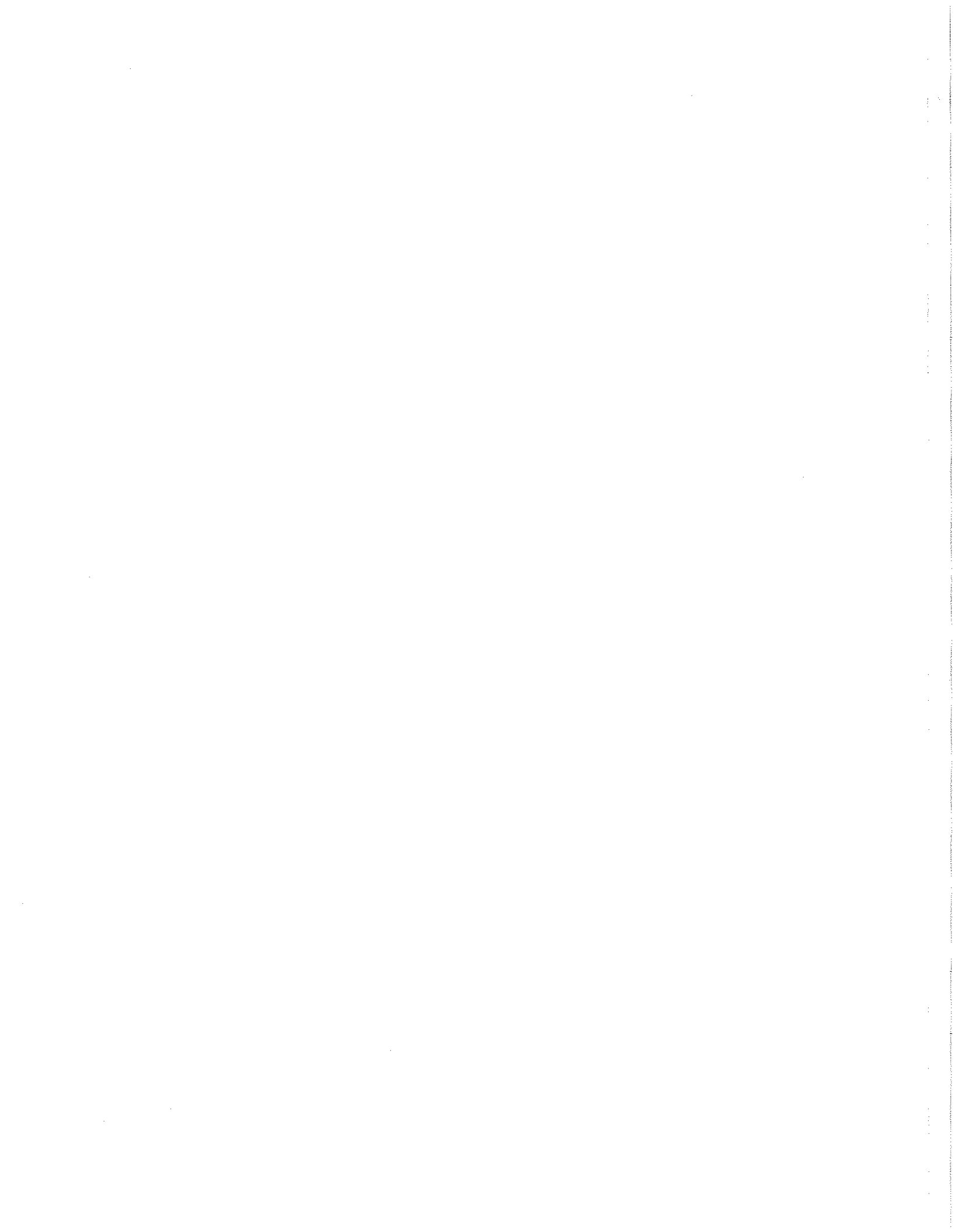
-NET ASSETS:

Reserved for scholarships

\$ 259,209

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2006

	Private Purpose Trust <u>Scholarship</u>
<u>ADDITIONS:</u>	
Local sources:	
Interest income	\$ 9,962
Donations	<u>38,429</u>
Total additions	48,391
<u>DEDUCTIONS:</u>	
Support services:	
Scholarships awarded	<u>11,399</u>
Change in net assets	36,992
Net assets beginning of year	<u>222,217</u>
Net assets end of year	\$ <u>259,209</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Centerville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Centerville, Iowa, and the predominate agricultural territory in Appanoose County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Centerville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Centerville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose County Assessors' Conference Board.

Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

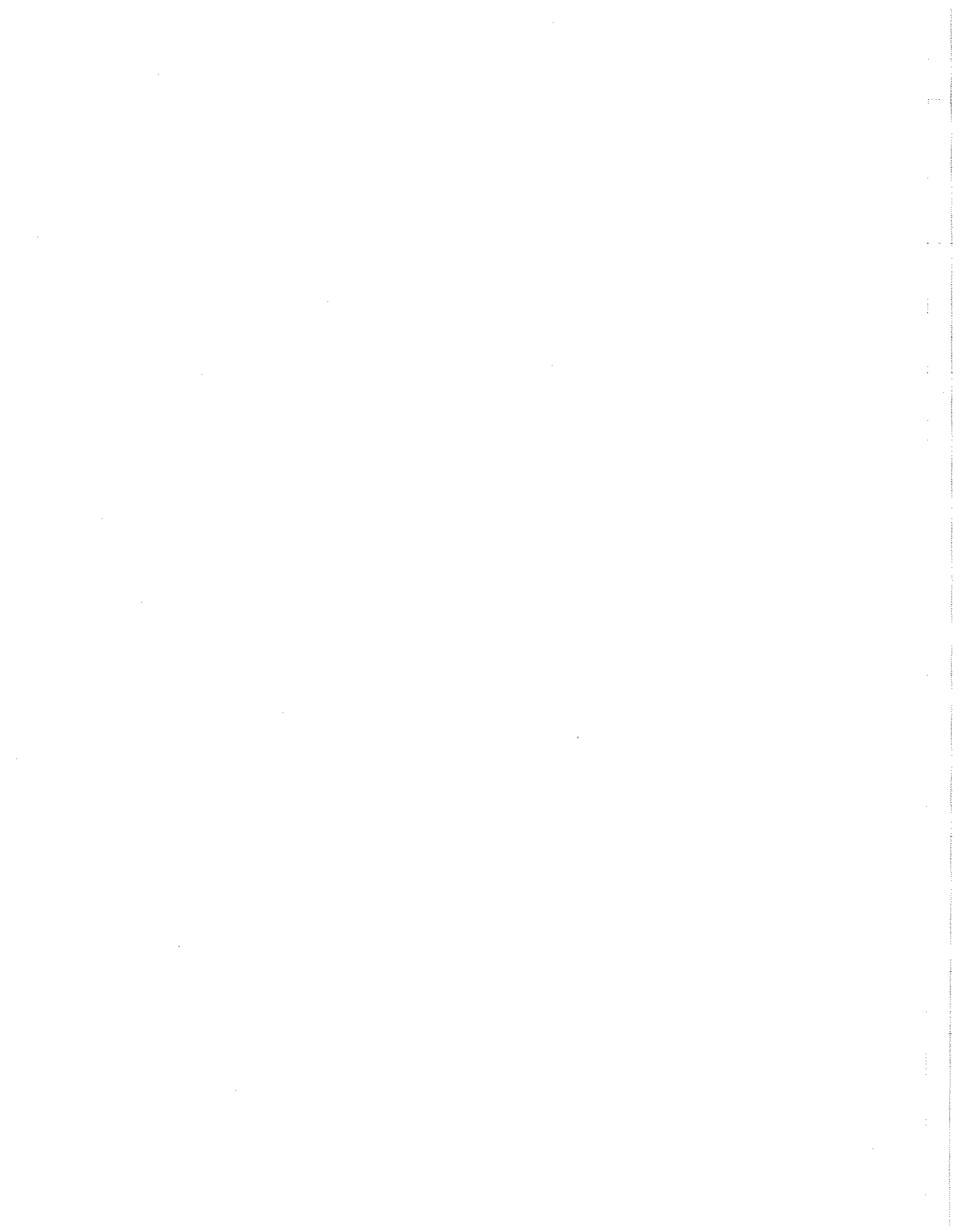
The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable FASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to County Board of Supervisors in April, 2005

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings and improvements	500
Land improvements	500
Machinery and equipment	500

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Equity (continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>1,236,147</u>

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

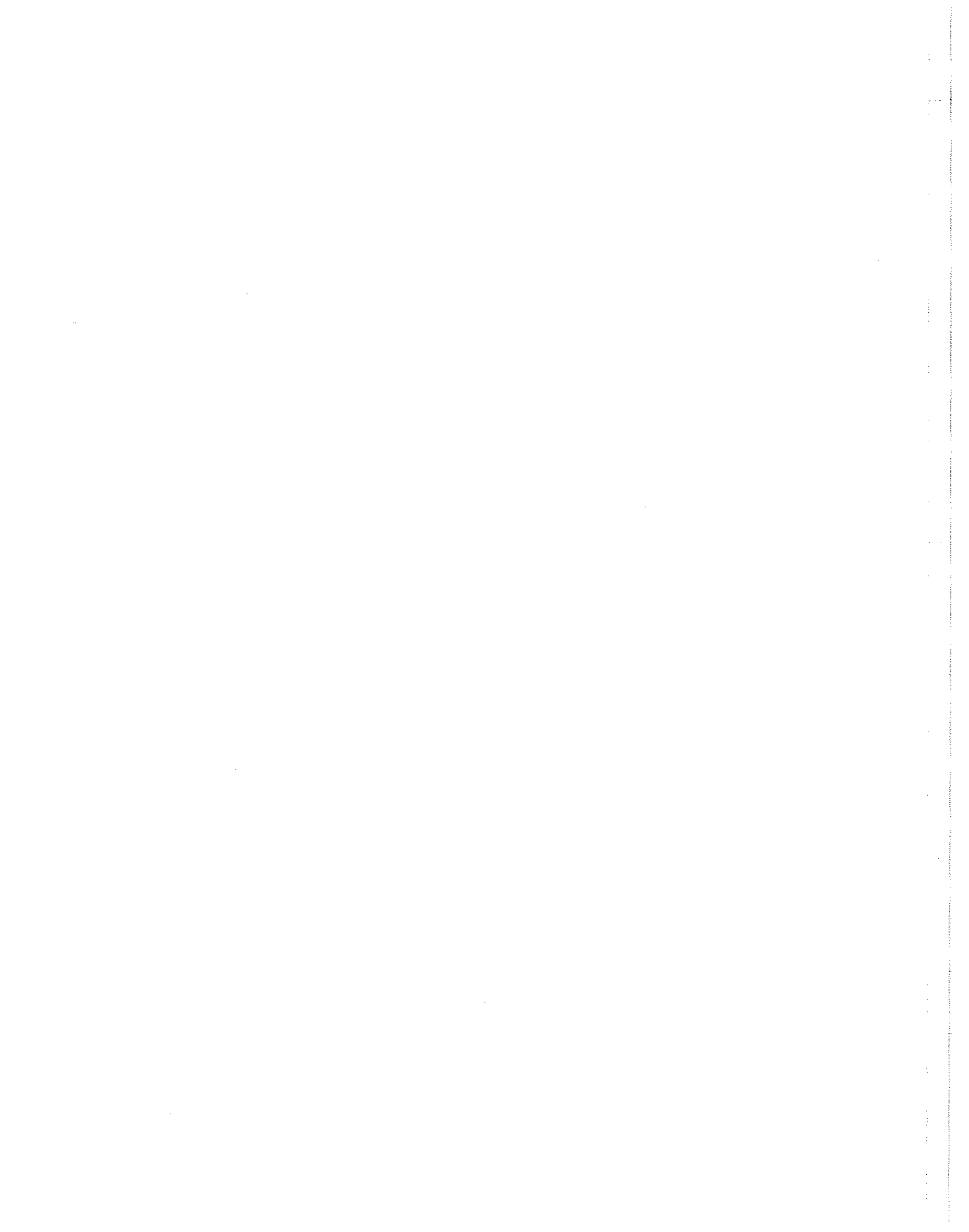
Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy Capital Projects	\$ 2,226 <u>330,686</u> 332,912
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	13,629
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	<u>137,272</u>
Total		\$ <u>483,813</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 4: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2005-06B	01/26/06	01/26/07	\$ 1,202,181	\$ 24,435	\$ 1,198,000	\$ 23,041
2006-07A	06/28/06	06/28/07	<u>1,408,040</u>	<u>657</u>	<u>1,410,000</u>	<u>522</u>
Total			\$ <u>2,610,221</u>	\$ <u>25,092</u>	\$ <u>2,608,000</u>	\$ <u>23,563</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when general fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06A	\$ <u> </u>	\$ <u>1,155,000</u>	\$ <u>1,155,000</u>	\$ <u> </u>

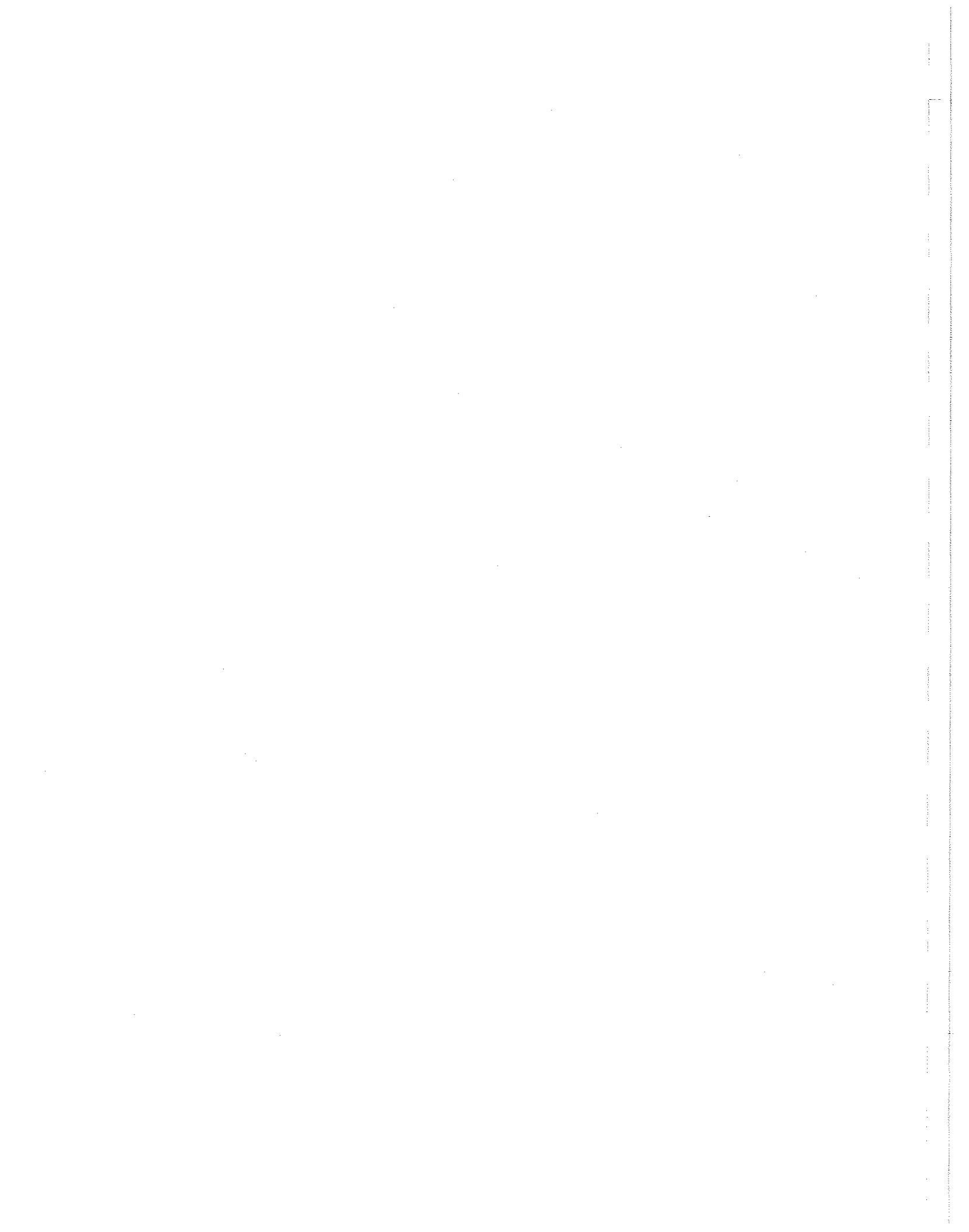
The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 227,286	\$ 39,342	\$ -	\$ 266,628
Less accumulated depreciation	<u>164,310</u>	<u>13,576</u>	<u>-</u>	<u>177,886</u>
Business type activities capital assets, net	\$ <u>62,976</u>	\$ <u>25,766</u>	\$ <u>-</u>	\$ <u>88,742</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

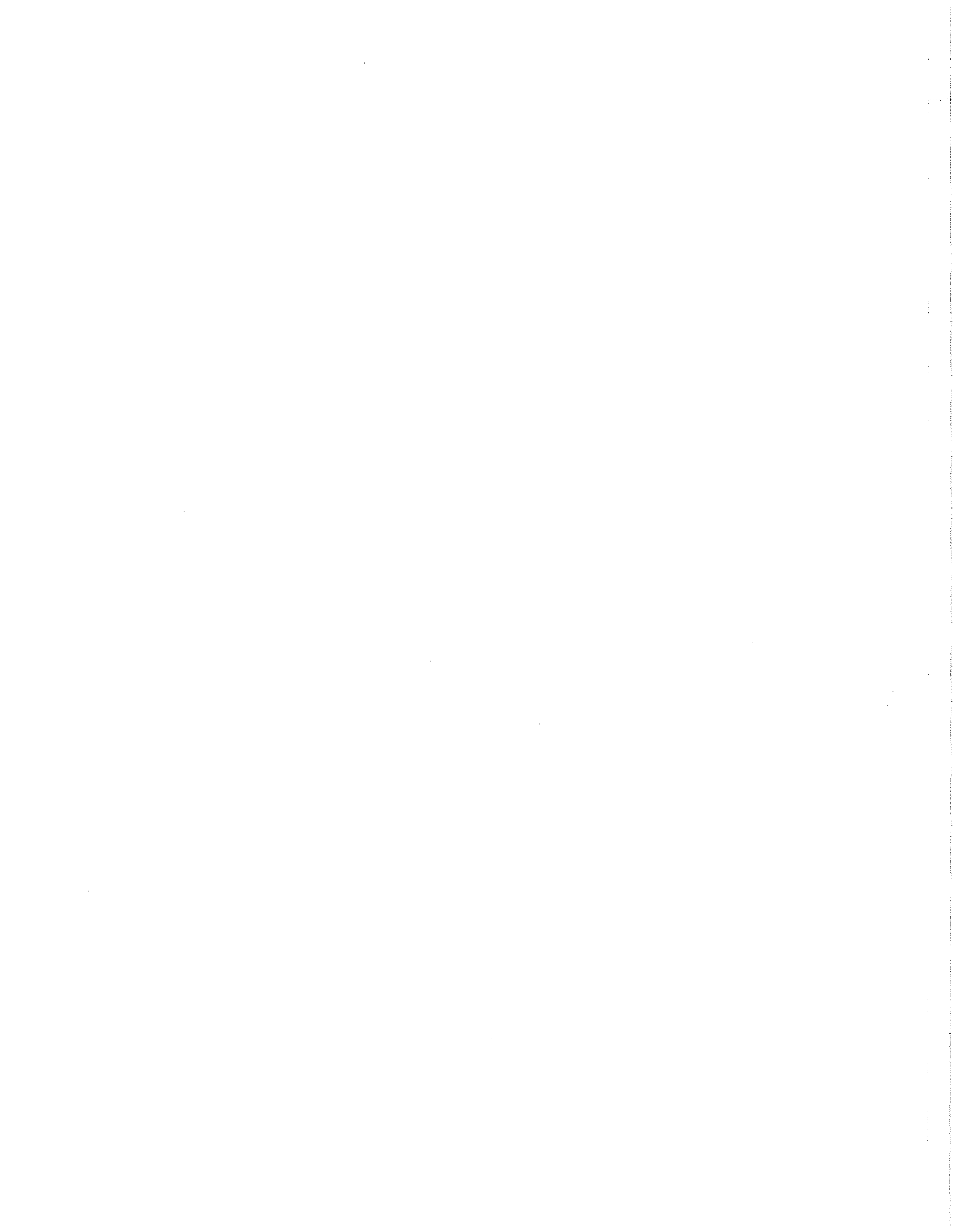
JUNE 30, 2006

NOTE 5: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 159,400	\$ 45,000	\$ -	\$ 204,400
Construction in progress	<u>1,975,031</u>	<u>245,603</u>	<u>1,975,031</u>	<u>245,603</u>
Total capital assets not being depreciated	<u>2,134,431</u>	<u>290,603</u>	<u>1,975,031</u>	<u>450,003</u>
Capital assets being depreciated:				
Buildings and improvements	8,418,938	2,785,431	12,188	11,192,181
Land improvements	460,739	-	6,718	454,021
Machinery and equipment	<u>2,798,498</u>	<u>206,066</u>	<u>191,879</u>	<u>2,812,685</u>
Total capital assets being depreciated	<u>11,678,175</u>	<u>2,991,497</u>	<u>210,785</u>	<u>14,458,887</u>
Less accumulated depreciation for:				
Buildings and improvements	5,312,040	221,956	12,188	5,521,808
Land improvements	156,229	27,156	6,718	176,667
Machinery and equipment	<u>2,490,180</u>	<u>179,681</u>	<u>191,879</u>	<u>2,477,982</u>
Total accumulated depreciation	<u>7,958,449</u>	<u>428,793</u>	<u>210,785</u>	<u>8,176,457</u>
Total capital assets being depreciated, net	<u>3,719,726</u>	<u>2,562,704</u>	<u>-</u>	<u>6,282,430</u>
Governmental activities capital assets, net	\$ <u>5,854,157</u>	\$ <u>2,853,307</u>	\$ <u>1,975,031</u>	\$ <u>6,732,433</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 92,298
Special	30,528
Other	48,183
Support services:	
Student support	5,599
Instructional staff	17,727
Administration	7,856
Operation and maintenance of plant	3,843
Transportation	2,378
Unallocated	<u>220,381</u>
Total depreciation expense - governmental activities	\$ <u>428,793</u>
Business-type activities:	
Food service operations	\$ <u>13,576</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Contract payable	\$ -	\$ 45,000	\$ 5,000	\$ 40,000	\$ 10,000
General obligation bonds	2,590,000	-	175,000	2,415,000	185,000
Revenue bonds	2,000,000	-	243,668	1,756,332	258,268
Early retirement	493,086	343,525	114,656	721,955	160,988
Compensated absences	<u>77,630</u>	<u>78,561</u>	<u>77,630</u>	<u>78,561</u>	<u>78,561</u>
Total	\$ <u>5,160,716</u>	\$ <u>467,086</u>	\$ <u>615,954</u>	\$ <u>5,011,848</u>	\$ <u>692,817</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Bond Issue of June 1, 1992</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	7.00 %	\$ 185,000	\$ 126,888	\$ 311,888
2008	6.25	195,000	113,938	308,938
2009	5.00	210,000	101,750	311,750
2010	5.00	220,000	91,250	311,250
2011	5.00	230,000	80,250	310,250
2012	5.00	245,000	68,750	313,750
2013	5.00	260,000	56,500	316,500
2014	5.00	275,000	43,500	318,500
2015	5.00	290,000	29,750	319,750
2016	5.00	<u>305,000</u>	<u>15,250</u>	<u>320,250</u>
		\$ <u>2,415,000</u>	\$ <u>727,826</u>	\$ <u>3,142,826</u>

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Bond Issue of December 10, 2005</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.22 %	\$ 258,268	\$ 73,114	\$ 331,382
2008	4.22	269,283	63,537	332,820
2009	4.22	280,767	53,551	334,318
2010	4.22	292,739	43,139	335,878
2011	4.22	305,223	32,284	337,507
2012	4.22	318,241	20,965	339,206
2013	4.22	<u>31,811</u>	<u>9,164</u>	<u>40,975</u>
		\$ <u>1,756,332</u>	\$ <u>295,754</u>	\$ <u>2,052,086</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 6: LONG-TERM LIABILITIES (Continued)

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a. \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

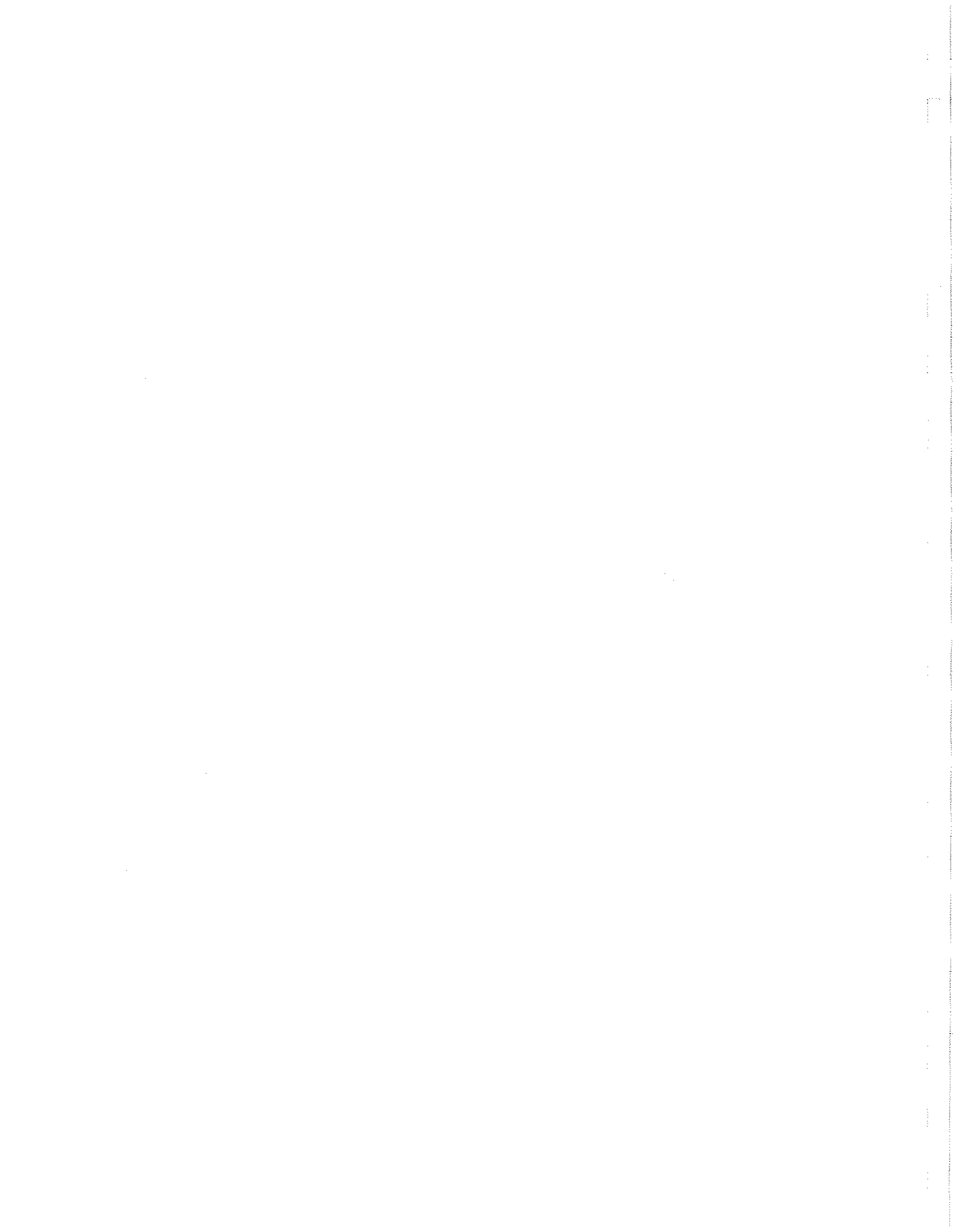
Contract Payable

During November 2005, the District entered into a contract to purchase land for \$45,000. The effective interest rate on the contract is 1.95%. The District paid \$5,000 down and will make additional payments as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 10,000	\$ 712	\$ 10,712
2008	10,000	522	10,522
2009	10,000	329	10,329
2010	<u>10,000</u>	<u>117</u>	<u>10,117</u>
	\$ <u>40,000</u>	\$ <u>1,680</u>	\$ <u>41,680</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age 55 and employees must have completed 10 years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee are equal to the full monthly cost of single medical insurance for the District's plan until the month the retiree attains the age of 65. Early retirement benefits paid for the year ended June 30, 2006 totaled \$114,656. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.



CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 7: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State Statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$516,249, \$517,836, and 506,581, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Centerville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$465,155 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10: DEFICIT FUND BALANCES/UNRESTRICTED NET ASSETS

At June 30, 2006, there was a deficit undesignated fund balance in the General Fund of \$291,943. The unrestricted net assets in the Governmental Activities is a deficit \$454,975. The District plans to eliminate these deficits through future receipts and reductions to future expenditures when possible.

NOTE 11: SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2006, the District sold at public sale and auction, \$2,370,000 School Infrastructure Sales and Services Tax Revenue Bonds, Series 2006, dated July 1, 2006. The bonds require semi-annual payments beginning January 1, 2007 and continuing for eight years.

REQUIRED SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Local sources	\$ 5,879,084	\$ 249,140	\$ 6,128,224
State sources	7,929,782	8,118	7,937,900
Federal sources	<u>1,032,745</u>	<u>363,942</u>	<u>1,396,687</u>
Total receipts	<u>14,841,611</u>	<u>621,200</u>	<u>15,462,811</u>
Expenditures:			
Instruction	8,854,275	-	8,854,275
Support services	3,944,963	-	3,944,963
Non-instructional programs	13,834	625,392	639,226
Other expenditures	<u>2,147,415</u>	<u>-</u>	<u>2,147,415</u>
Total expenditures	<u>14,960,487</u>	<u>625,392</u>	<u>15,585,879</u>
Excess (deficiency) of receipts over (under) expenditures	(118,876)	(4,192)	(123,068)
Balances beginning of year	<u>904,006</u>	<u>141,091</u>	<u>1,045,097</u>
Balances end of year	\$ <u>785,130</u>	\$ <u>136,899</u>	\$ <u>922,029</u>

Budgeted Amounts		Final to Actual	
<u>Original</u>	<u>Final</u>	<u>Variance</u>	
\$ 5,728,417	\$ 5,728,417	\$ 399,807	
9,024,679	9,024,679	(1,086,779)	
<u>1,083,500</u>	<u>1,083,500</u>	<u>313,187</u>	
<u>15,836,596</u>	<u>15,836,596</u>	<u>(373,785)</u>	
9,439,755	9,439,755	585,480	
3,821,785	3,821,785	(123,178)	
614,750	675,000	35,774	
<u>3,100,463</u>	<u>4,005,000</u>	<u>1,857,585</u>	
<u>16,976,753</u>	<u>17,941,540</u>	<u>2,355,661</u>	
(1,140,157)	(2,104,944)	1,981,876	
<u>1,171,105</u>	<u>1,171,105</u>	<u>(126,008)</u>	
\$ <u>30,948</u>	\$ <u>(933,839)</u>	\$ <u>1,855,868</u>	

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$964,787.

For the year ended June 30, 2006, the District received an allowance for allowable growth for costs of converting to GAAP basis budgeting. After consideration of this allowance, the District did not exceed budgeted expenditures during the year ended June 30, 2006.

OTHER SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Expendable Trust</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 189,378	\$ 76,532	\$ 170,931
Receivables:				
Property tax:				
Current year delinquent	7,227	-	780	-
Succeeding year	390,000	-	126,644	-
Income surtax	-	-	77,366	-
Accounts	-	4,179	-	-
Due from other governments	-	190	85,364	-
 TOTAL ASSETS	 \$ <u>397,227</u>	 \$ <u>193,747</u>	 \$ <u>366,686</u>	 \$ <u>170,931</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 17,208	\$ 11,421	\$ -
Excess warrants issued over bank balance	6,329	-	-	-
Deferred revenue:				
Succeeding year property tax	390,000	-	126,644	-
Income surtax	-	-	77,366	-
Total liabilities	<u>396,329</u>	<u>17,208</u>	<u>215,431</u>	<u>-</u>
 Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	<u>898</u>	<u>176,539</u>	<u>151,255</u>	<u>170,931</u>
Total fund balances	<u>898</u>	<u>176,539</u>	<u>151,255</u>	<u>170,931</u>
 TOTAL LIABILITIES AND FUND EQUITY	 \$ <u>397,227</u>	 \$ <u>193,747</u>	 \$ <u>366,686</u>	 \$ <u>170,931</u>

SCHEDULE 1

<u>Total Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Nonmajor Governmental Funds</u>
\$ 436,841	\$ 287,911	\$ 724,752
8,007	6,486	14,493
516,644	311,888	828,532
77,366	-	77,366
4,179	-	4,179
<u>85,554</u>	<u>-</u>	<u>85,554</u>
\$ <u>1,128,591</u>	\$ <u>606,285</u>	\$ <u>1,734,876</u>
\$ 28,629	\$ 24,175	\$ 52,804
6,329	-	6,329
516,644	311,888	828,532
<u>77,366</u>	<u>-</u>	<u>77,366</u>
<u>628,968</u>	<u>336,063</u>	<u>965,031</u>
-	270,222	270,222
<u>499,623</u>	<u>-</u>	<u>499,623</u>
<u>499,623</u>	<u>270,222</u>	<u>769,845</u>
\$ <u>1,128,591</u>	\$ <u>606,285</u>	\$ <u>1,734,876</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

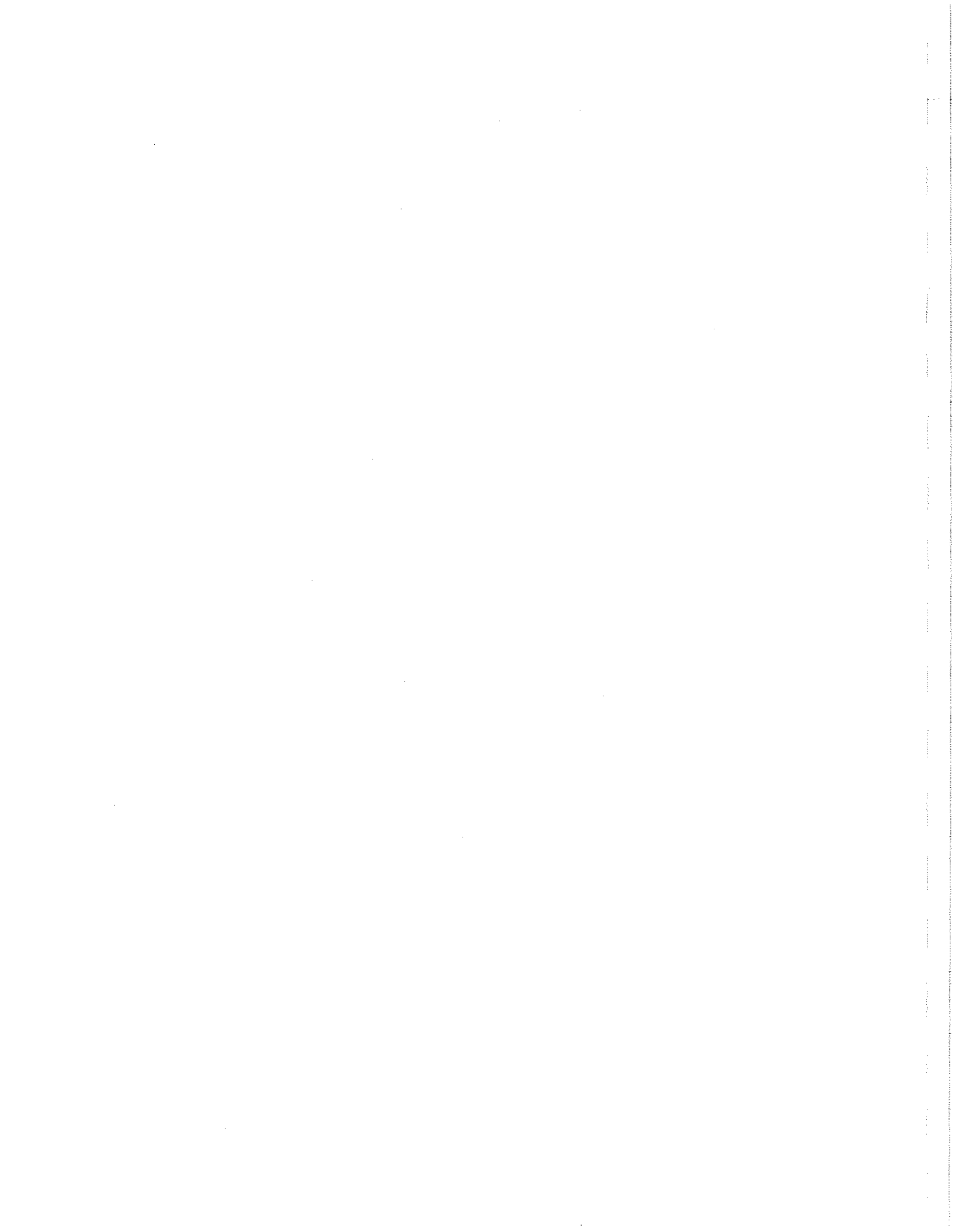
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Special Revenue Funds

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Expendable Trust</u>	<u>Total Special Revenue</u>
Revenues:					
Local sources:					
Local tax	\$ 350,834	\$ -	\$ 120,447	\$ -	\$ 471,281
Other	11,331	311,083	38,489	22,379	383,282
State sources	386	-	42	-	428
Federal sources	-	-	285,777	-	285,777
Total revenues	<u>362,551</u>	<u>311,083</u>	<u>444,755</u>	<u>22,379</u>	<u>1,140,768</u>
Expenditures					
Current:					
Instruction:					
Regular instruction	109,802	-	-	-	109,802
Other instruction	4,854	310,842	-	-	315,696
	<u>114,656</u>	<u>310,842</u>	<u>-</u>	<u>-</u>	<u>425,498</u>
Support services:					
Administration services	106,063	-	-	-	106,063
Operation and maintenance of plant services	47,282	-	206,851	-	254,133
Transportation services	18,516	-	-	-	18,516
	<u>171,861</u>	<u>-</u>	<u>206,851</u>	<u>-</u>	<u>378,712</u>
Non-instructional:					
Operation of non-instructional programs	-	-	-	13,834	13,834
Other expenditures:					
Long-term debt:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>286,517</u>	<u>310,842</u>	<u>206,851</u>	<u>13,834</u>	<u>818,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,034</u>	<u>241</u>	<u>237,904</u>	<u>8,545</u>	<u>322,724</u>
Other financing sources (uses):					
Transfers in	-	-	13,629	11,397	25,026
Transfers out	-	-	(139,498)	(11,397)	(150,895)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(125,869)</u>	<u>-</u>	<u>(125,869)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	76,034	241	112,035	8,545	196,855
Fund balances beginning of year	<u>(75,136)</u>	<u>176,298</u>	<u>39,220</u>	<u>162,386</u>	<u>302,768</u>
Fund balances end of year	\$ <u>898</u>	\$ <u>176,539</u>	\$ <u>151,255</u>	\$ <u>170,931</u>	\$ <u>499,623</u>

SCHEDULE 2

<u>Debt Service</u>	<u>Total Other Nonmajor Governmental Funds</u>
\$ 314,886	\$ 786,167
9,163	392,445
347	775
-	<u>285,777</u>
<u>324,396</u>	<u>1,465,164</u>
-	109,802
-	<u>315,696</u>
-	<u>425,498</u>
-	106,063
-	254,133
-	<u>18,516</u>
-	<u>378,712</u>
-	<u>13,834</u>
418,668	418,668
<u>229,088</u>	<u>229,088</u>
647,756	647,756
<u>647,756</u>	<u>1,465,800</u>
<u>(323,360)</u>	<u>(636)</u>
332,912	357,938
-	<u>(150,895)</u>
<u>332,912</u>	<u>207,043</u>
9,552	206,407
<u>260,670</u>	<u>563,438</u>
\$ <u>270,222</u>	\$ <u>769,845</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

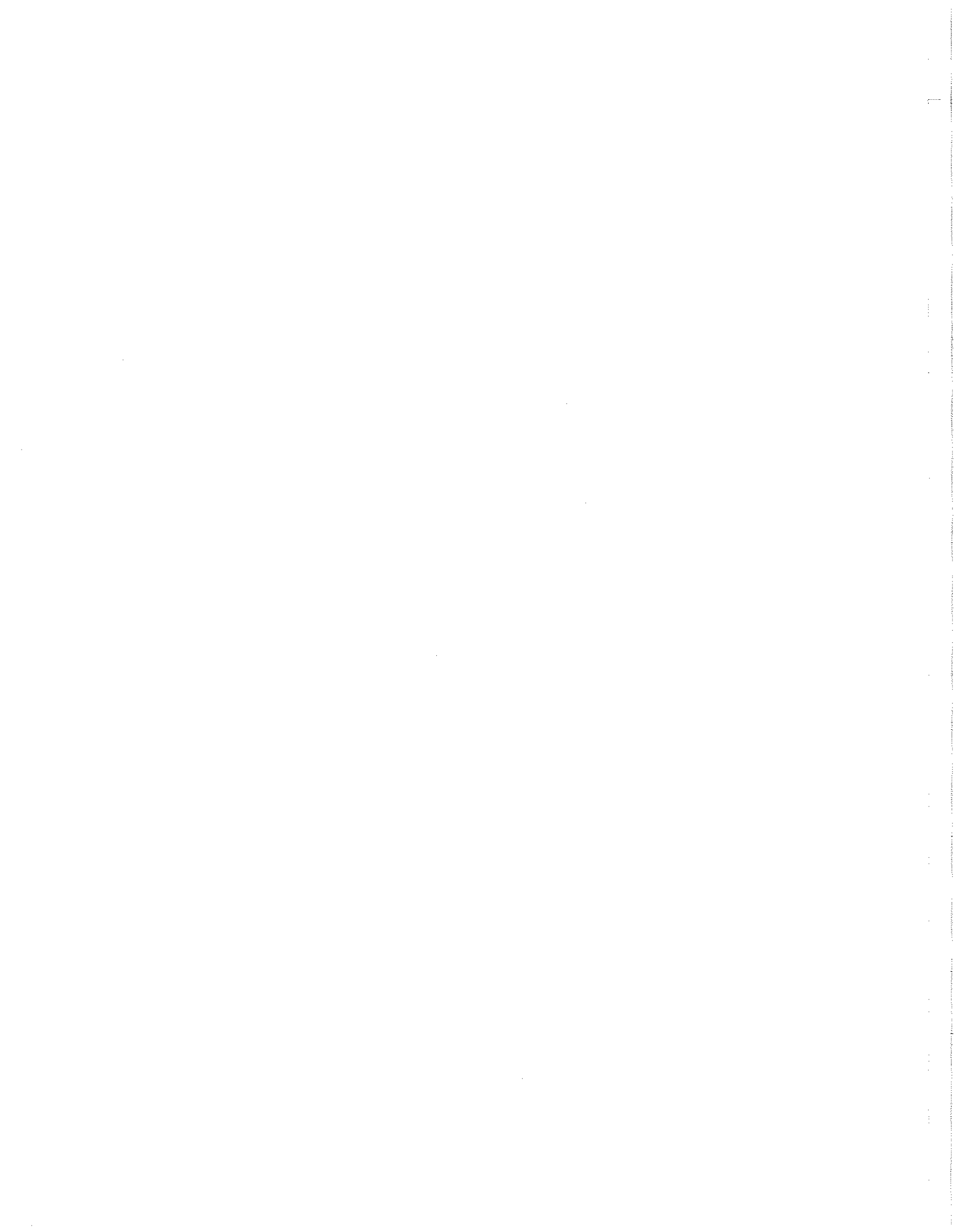
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Rubbermaid Scholarship	\$ 3,723	\$ 118	\$ 1,000	\$ 2,841
Orville Butler Scholarship	1,123	34	300	857
Class of 1949	15,626	4,131	-	19,757
Ruggles Math and Science Center	-	9,398	8,000	1,398
John Sacco Memorial	605	16	250	371
Bessie Adams Memorial	487	18	-	505
Don Whisler Memorial	6,042	282	500	5,824
Mark Traxler Memorial	1,392	566	287	1,671
Swab Scholarship	94	4	-	98
Elgin Scholarship	126,365	6,474	5,204	127,635
FCCLA Scholarship	746	157	-	903
Colleen Cook Scholarship	500	400	900	-
Karleen Fischer Hagan Donation	-	2,005	3,400	(1,395)
Kirkpatrick Memorial	1,108	43	-	1,151
Clyde & Virginia Carney Memorial	-	8,363	2,790	5,573
Ray Miller Memorial	1,500	60	-	1,560
Leffert Scholarship	-	600	600	-
G. Foster Memorial	-	500	500	-
D&G Moritz Scholarship	-	500	500	-
Stout Scholarship	3,075	107	1,000	2,182
	\$ 162,386	\$ 33,776	\$ 25,231	\$ 170,931

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND
SCHOLARSHIP ACCOUNTS
YEAR ENDED JUNE 30, 2006

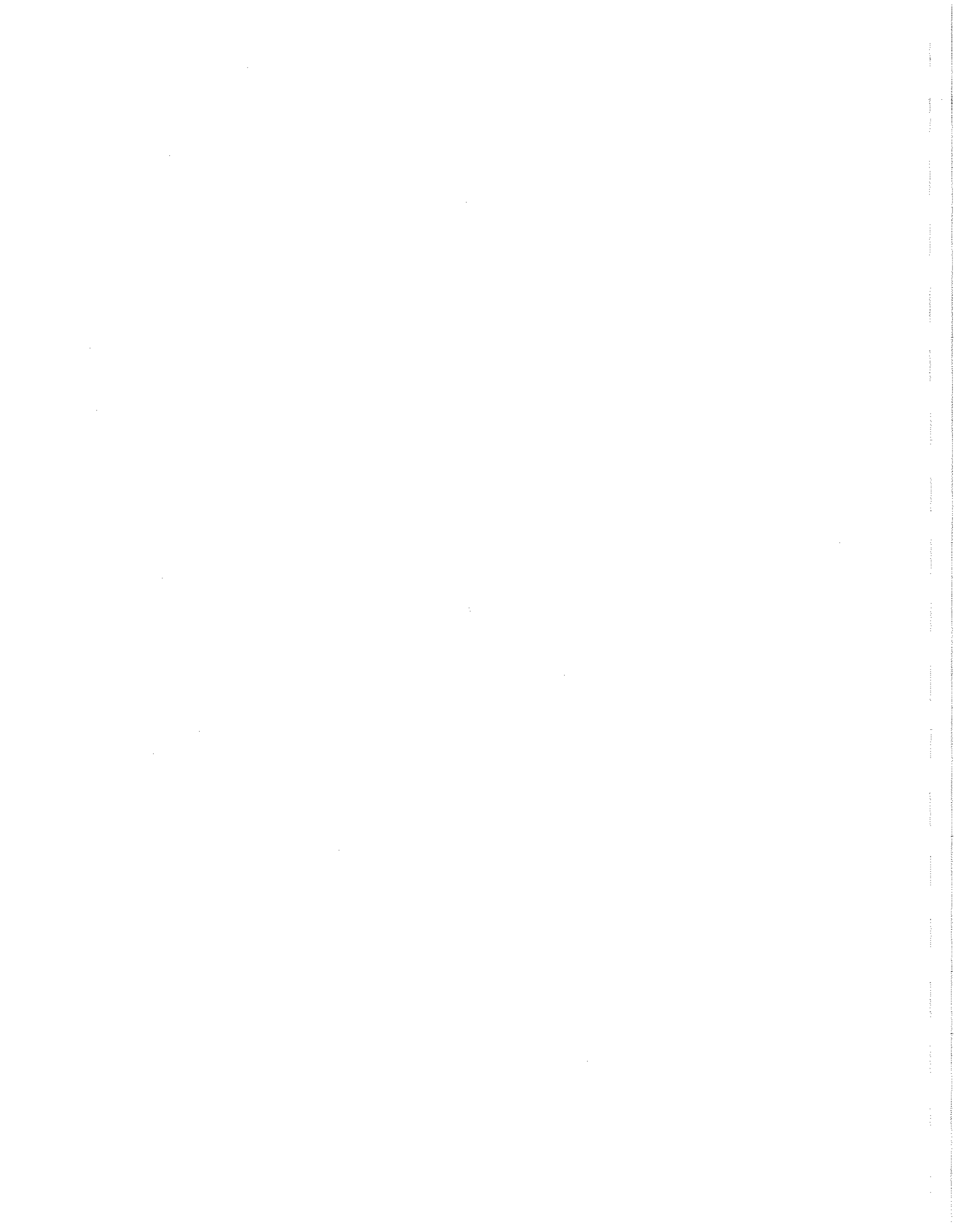
	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Gower-Voxman Scholarship	\$ 2,161	\$ 96	\$ -	\$ 2,257
Leffert Scholarship	26,830	1,156	600	27,386
Vidas Scholarship	1,343	59	-	1,402
Colleen Cook Scholarship	69,184	2,737	400	71,521
Gerald Foster Memorial	20,085	936	501	20,520
Ruggles Math and Science	86,646	24,287	9,398	101,535
Clyde and Virginia Carney Memorial	-	18,429	-	18,429
Moritz Scholarship	<u>15,968</u>	<u>691</u>	<u>500</u>	<u>16,159</u>
	\$ <u>222,217</u>	\$ <u>48,391</u>	\$ <u>11,399</u>	\$ <u>259,209</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

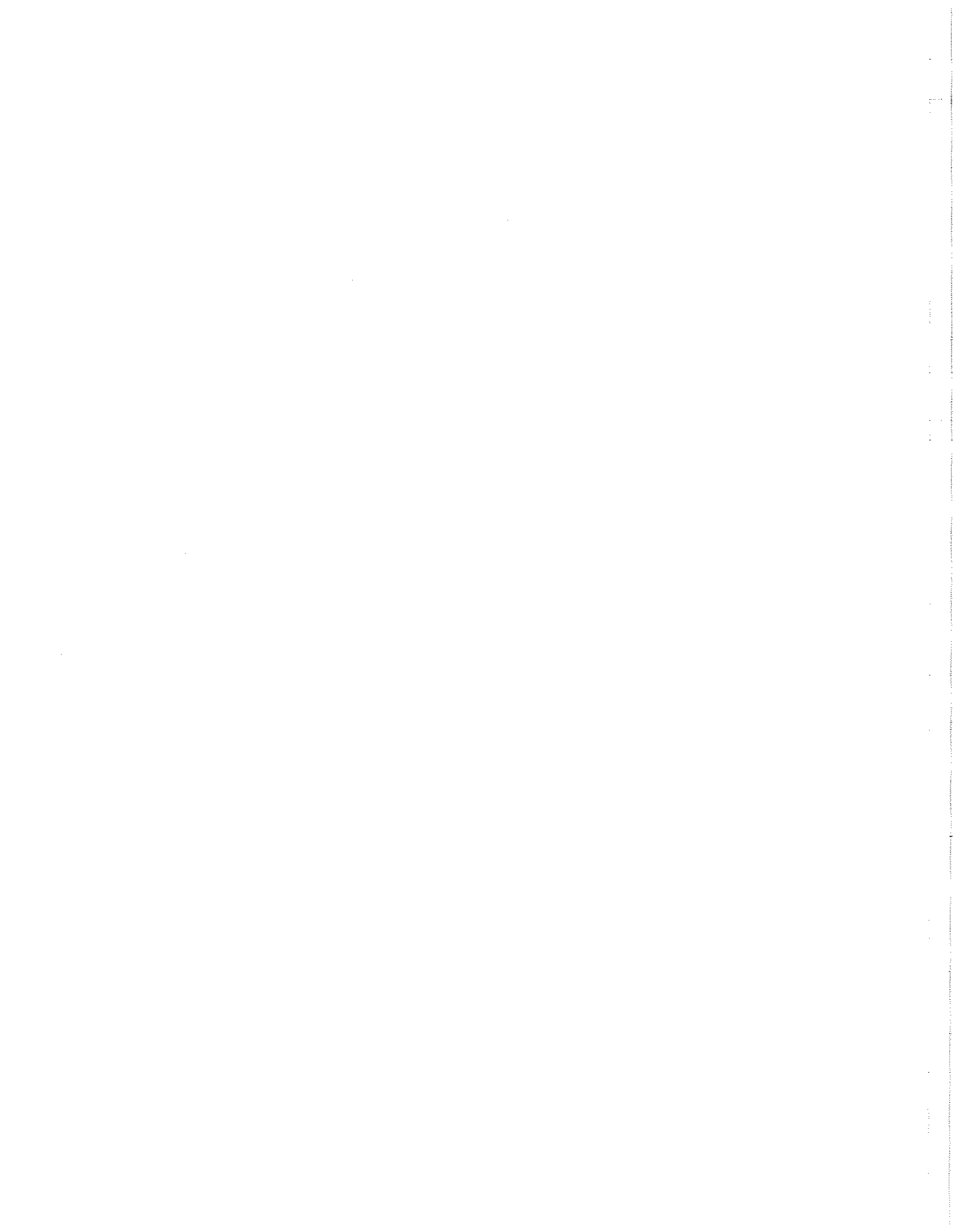
<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
General athletics	\$ 11,275	\$ -	\$ 464	\$ 10,811
High school general account	4,124	7,304	2,473	8,955
Appanoose County alternative high school	22	707	489	240
Thespian	9,787	2,478	2,381	9,884
Speech	(141)	586	372	73
Vocal music concert admissions	5,809	749	3,227	3,331
Vocal music	764	2,552	2,552	764
K-3 vocal music	121	-	-	121
Instrumental music concert admissions	492	2,368	-	2,860
High school instrumental music resale	-	801	745	56
Junior high instrumental music	108	3,056	3,032	132
Lakeview instrumental music	342	1,313	1,655	-
High school jazz band	-	440	440	-
High school instrumental music	22	5,356	5,378	-
Junior high athletics	14,367	19,241	14,384	19,224
Boys cross country	-	1,385	985	400
Girls cross country	-	1,451	844	607
Boys basketball	3,685	9,232	14,787	(1,870)
Football	7,369	17,194	23,511	1,052
Boys soccer	1,152	1,786	2,432	506
Baseball	1,565	6,008	4,553	3,020
Boys track	671	4,312	4,283	700
Boys tennis	62	882	444	500
Boys golf	232	1,243	1,029	446
Wrestling	1,881	7,034	7,415	1,500
Girls basketball	4,000	6,564	8,564	2,000
Volleyball	3,001	5,418	4,919	3,500
Girls volleyball fundraisers	596	-	-	596
Girls soccer	2,122	4,341	5,977	486
Softball	4,471	5,729	7,951	2,249
Girls track	262	3,659	3,221	700
Girls tennis	402	1,230	1,072	560
Girls golf	96	942	548	490
K-3 general account	362	264	10	616
Central elementary activity	4,269	896	692	4,473
Central pop	766	488	368	886
Cincinnati activity	1,240	180	312	1,108
Cincinnati pop	312	148	130	330
Garfield activity	1,472	240	438	1,274
Garfield pop	752	93	-	845
Lincoln activity	977	703	299	1,381
Lincoln pop	150	-	-	150



CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
 STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Mystic activity	\$ 2,213	\$ 1,800	\$ 1,353	\$ 2,660
Lakeview activity	1,937	13,122	10,840	4,219
Lakeview pop	1,732	728	1,047	1,413
Junior High activity	24,525	29,810	25,881	28,454
Ameri-Corps	725	-	-	725
High school big red dinner	73	1,055	1,128	-
High school yearbook	7,618	20,401	21,581	6,438
High school graduation	2,768	2,320	3,529	1,559
High school science club	70	1,208	1,189	89
FCCLA	407	4,007	4,087	327
FFA	1,786	21,220	22,010	996
National honor society	520	983	1,029	474
High school cheerleaders	926	124	907	143
Student council	9,364	35,970	30,884	14,450
Social science	652	858	1,004	506
"C" club	-	579	579	-
Football cheerleaders	-	1,048	1,048	-
Office education	130	-	-	130
Student lowegian	97	-	-	97
Spanish club	2,078	175	225	2,028
Weight room	1,211	2,246	2,969	488
Class of 2006	1,383	430	411	1,402
Class of 2007	-	3,075	1,106	1,969
Class of 2008	16	122	138	-
Activity ticket	24,310	14,875	21,391	17,794
Athletics booster club	2,398	20,699	18,275	4,822
Licenses and permits	-	126	126	-
School promotions	400	-	-	400
Interest	-	5,729	5,729	-
Total	\$ <u>176,298</u>	\$ <u>311,083</u>	\$ <u>310,842</u>	\$ <u>176,539</u>



CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 7,511	\$ 7,511	\$ -
Due from other groups	<u>272</u>	<u>-</u>	<u>272</u>	<u>-</u>
TOTAL ASSETS	\$ <u>272</u>	\$ <u>7,511</u>	\$ <u>7,783</u>	\$ <u>-</u>
<u>LIABILITIES</u>				
Accounts payable	\$ <u>272</u>	\$ <u>7,511</u>	\$ <u>7,783</u>	\$ <u>-</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:					
Local sources:					
Local tax	\$ 4,707,887	\$ 4,210,359	\$ 3,548,519	\$ 3,595,752	\$ 3,363,475
Tuition	431,633	255,975	318,551	226,866	276,429
Other	739,564	942,469	797,036	773,121	766,670
State sources	7,929,782	7,828,394	7,731,425	7,740,582	8,783,285
Federal sources	<u>1,032,745</u>	<u>949,831</u>	<u>942,686</u>	<u>688,282</u>	<u>598,159</u>
Total	<u>14,841,611</u>	<u>14,187,028</u>	<u>13,338,217</u>	<u>13,024,603</u>	<u>13,788,018</u>
Expenditures:					
Instruction:					
Regular instruction	5,489,650	5,486,876	5,569,309	5,665,289	5,255,466
Special instruction	2,473,743	2,578,875	2,585,388	2,802,256	2,528,203
Other instruction	890,882	946,480	923,240	226,352	938,309
Support services:					
Student services	379,001	473,602	455,113	364,208	379,837
Instructional staff services	419,460	368,937	258,357	287,205	289,498
Administration services	1,283,478	1,035,581	1,052,848	925,776	844,327
Operation and maintenance of plant services	1,316,773	1,286,968	1,235,016	1,211,234	1,156,362
Transportation services	546,251	642,588	561,021	608,447	499,231
Non-instructional	13,834	25,978	34,413	42,385	21,341
Other expenditures:					
Facilities acquisitions	1,034,504	1,975,031	584,523	931,992	63,087
Long-term debt:					
Principal	418,668	222,000	189,000	191,000	333,000
Interest	229,088	155,640	165,683	177,989	192,827
AEA flow-through	<u>465,155</u>	<u>464,456</u>	<u>472,458</u>	<u>491,993</u>	<u>494,990</u>
Total	\$ <u>14,960,487</u>	\$ <u>15,663,012</u>	\$ <u>14,086,369</u>	\$ <u>13,926,126</u>	\$ <u>12,996,478</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food donation (non-cash)	10.550	FY 06	\$ <u>22,224</u>
School Nutrition Cluster Programs:			
School breakfast program	10.553	FY 06	81,444
National school lunch program	10.555	FY 06	<u>260,274</u>
			<u>341,718</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I grants to local educational agencies	84.010	1071-G	385,639
Title I grants to local educational agencies	84.010	1071-GC	<u>11,153</u>
			<u>396,792</u>
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	FY 06	<u>271</u>
Fund for the Improvement of Education	84.215	FY 03	275,035
Fund for the Improvement of Education	84.215	FY 04	<u>10,742</u>
			<u>285,777</u>
State Grants for Innovative Programs	84.298	FY 06	<u>6,098</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>116,796</u>
Grants for State Assessments and			
Related Activities	84.369	FR 06	<u>9,360</u>
Area Education Agency:			
Vocational education - Basic Grants to States	84.048A	FY 06	<u>32,462</u>
Special education - Grants to States (Part B)	84.027	FY 06	<u>90,593</u>
Education Technology State Grants	84.318	FY 06	<u>12,429</u>
Total			\$ <u>1,314,520</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Centerville Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Centerville Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Centerville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

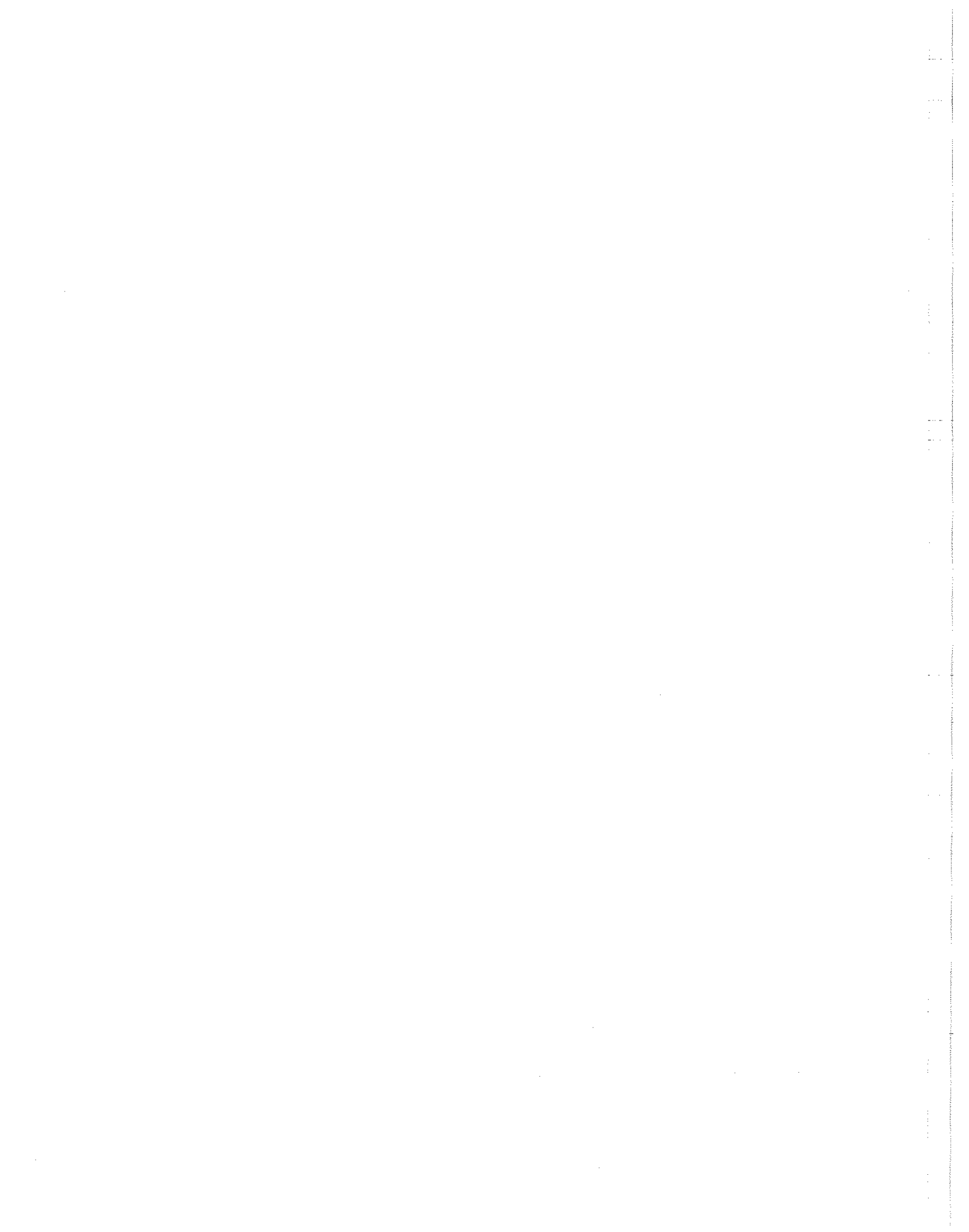
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Centerville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Centerville Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have all been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Centerville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.



Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Centerville Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Centerville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C

Ottumwa, Iowa
October 10, 2006



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of the
Centerville Community School District

Compliance

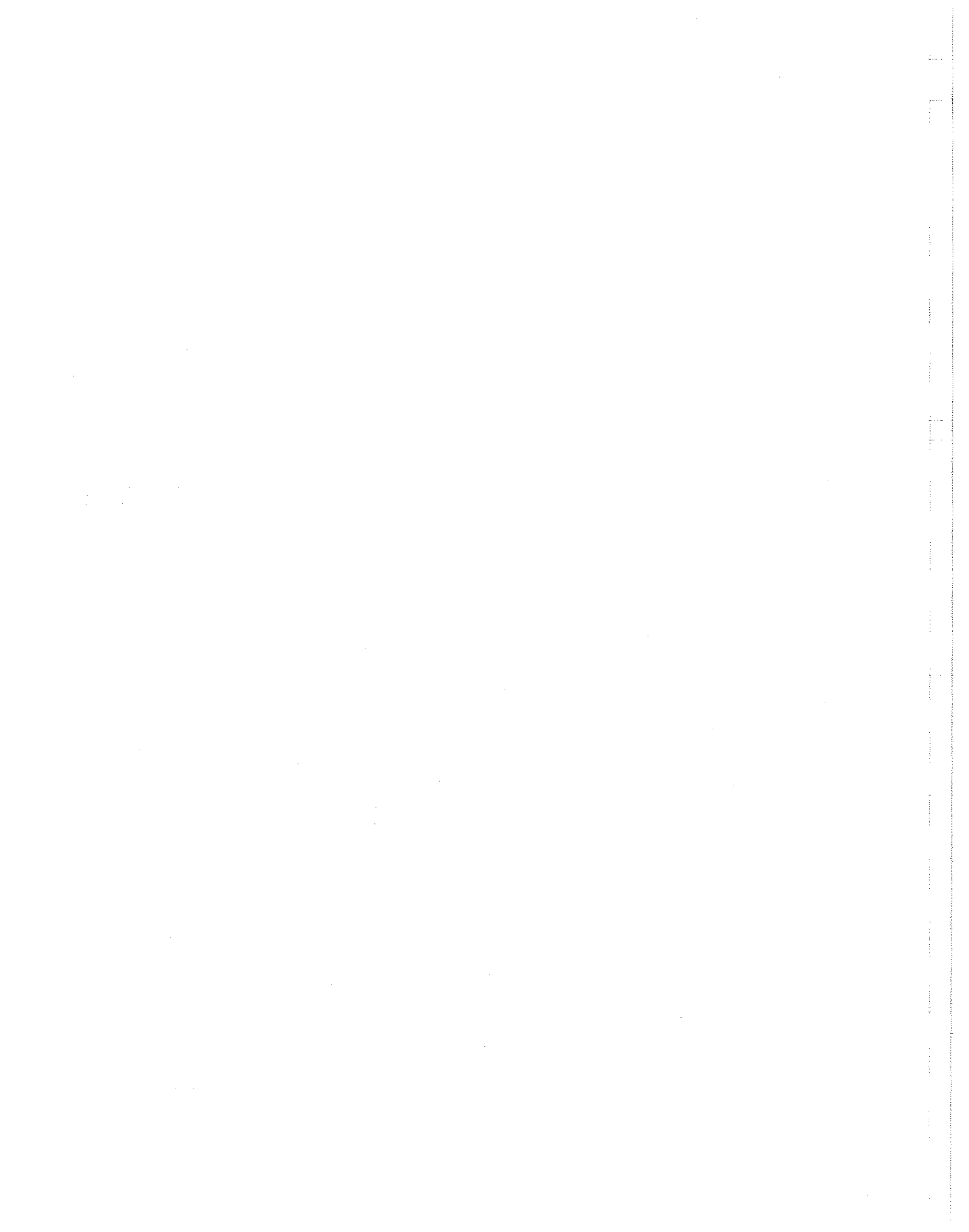
We have audited the compliance of the Centerville Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the Centerville Community School District's management. Our responsibility is to express an opinion on the Centerville Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Centerville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Centerville Community School District's compliance with those requirements.

In our opinion, the Centerville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Centerville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Centerville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Centerville Community School District and other parties to whom the Centerville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO P C

Ottumwa, Iowa
October 10, 2006

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- a. Unqualified opinions were issued on the financial statements.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be material weaknesses.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. Major programs were as follows:
 - CFDA Number 84.010 – Title I grants to local educational agencies
 - Clustered programs
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Centerville Community School District qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Reportable Conditions -

Fixed Asset Schedules – We noted during our audit that the governmental fixed asset listing was not updated in a timely manner.

Recommendation – The District should review procedures in place in regard to fixed assets and update the fixed asset schedules in a timely manner for additions and disposals.

Response – We will review procedures in place over the District's fixed assets and make adjustments as appropriate.

Conclusion – Response accepted

Instances of Noncompliance - No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Reportable Conditions - No matters were reported

Instances of Noncompliance - No matters were reported.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- 06-IV-A Certified Budget – Expenditures for the year ended June 30, 2006, did not exceed the amount budgeted.
- 06-IV-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 06-IV-C Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 06-IV-D Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Cochran, Wrestling Coach Salesman at The Document Source	Supplies	\$ 2,427
Tim Kaster, Bus Driver Owner of Tim's Muffler	Purchased Services	\$ 380
Kris Hoffman, Board Member Salesman for Dubois Chemicals	Supplies	\$ 641
Shawna Stickler, Board Member Father owns McCarthy Tire	Purchased Services	\$ 4,335

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the bus driver do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the board member, father of the board member and wrestling coach do not appear to be a conflict of interest.

- 06-IV-E Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-IV-F Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.
- 06-IV-G Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 06-IV-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 06-IV-I Certified Annual Report – The certified annual report was certified to the Iowa Department of Education timely.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

06-IV-J Financial Condition – The District had undesignated deficit fund balances of \$291,943 in the General Fund. The District had deficit unrestricted net assets in the Governmental Activities of \$454,975. We also noted during our audit that the Activity Fund had one account with a negative balance at year end.

Recommendation – The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response – The District will continue to monitor and eliminate the deficits. We will continue to monitor the individual accounts in the Student Activity Fund.

Conclusion – Response accepted

